

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Delta County	County Delta
Audit Date 9/30/04	Opinion Date 3/16/05	Date Accountant Report Submitted to State: 3/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street	City Escanaba	State MI	ZIP 49829
Accountant Signature <i>Anderson, Tackman & Company P.A.C.</i>		Date 3/30/05	

COUNTY OF DELTA, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	20
Statement of Net Assets - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Assets	24
Notes to the Basic Financial Statements	25
Required Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	56
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Road Patrol Fund	57
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Renaissance Zone Fund	58

TABLE OF CONTENTS

	<u>Page</u>
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	65
Combining Statement of Net Assets - Nonmajor Proprietary Funds	71
Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Proprietary Funds	73
Combining Statement of Cash Flows - Nonmajor Proprietary Funds	75
Combining Statement of Net Assets - Internal Service Funds	77
Combining Statement of Revenues, Expenses and Changes in Net Assets - Internal Service Funds	78
Combining Statement of Cash Flows - Internal Service Funds	79
Combining Statement of Fiduciary Net Assets - Agency Funds	80
Combining Balance Sheet - Component Units	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Component Units	83
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	84
Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	86
Schedule of Expenditures of Federal Awards	88
Notes to Schedule of Expenditures of Federal Awards	90
Schedule of Findings and Questioned Costs	91
Schedule of Prior Year Findings and Questioned Costs	93



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Delta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2005, on our consideration of the County of Delta, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 - 13, 55 and 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Delta's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of the County of Delta, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 16, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Delta County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2004. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$26,347,338 for 2004 and were \$22,783,793 for 2003, an increase of \$3,563,545. For 2004, net assets for our business-type activities were \$11,552,289 or 44% of total net assets, while net assets in our governmental activities were \$14,795,049 or 56% of total net assets.
- The County's expenses for 2004 totaled \$11,148,437, while revenues from all sources totaled \$14,337,962, leaving an increase of \$3,563,545. In 2003, total expenses totaled \$10,675,025 while revenues totaled \$13,168,969, leaving an increase of \$2,493,944.
- In the County's business-type activities, total revenues were \$2,949,913, or 20% of total revenue, while expenses totaled \$1,022,231, or 10% of total expenses. This provides excess revenues over expenses of \$1,927,682 and is primarily due to federal government participation in capital improvement projects at the airport.
- The General Fund reported an increase in fund balance of \$268,581 in 2004 and \$704,644 in 2003, representing an increase in fund balance of 12% and 44%, respectively. This was after revenues of \$8,664,552 compared to \$8,243,490 in 2003, and expenditures of \$6,612,907 compared to expenses of \$6,001,004 in 2003.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statement start on page 17. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County Airport and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; District Health Department, County Road Commission and Family Independence Agency which are reported separately from the financial information of the County. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$3,563,545 in 2004 and \$2,493,944 in 2003.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Current and other assets	\$ 12,233,622	\$ 10,422,468	\$ 3,428,746	\$ 3,630,440
Capital assets (net)	9,146,241	8,747,306	8,460,695	6,279,517
Total Assets	21,379,863	19,169,774	11,889,441	9,909,957
Long-term debt outstanding	4,785,000	5,070,000	199,932	227,532
Other liabilities	1,799,814	940,588	137,220	57,818
Total Liabilities	6,584,814	6,010,588	337,152	285,350
Net Assets:				
Invested in capital assets, net of related debt	4,361,242	3,496,340	8,260,763	6,051,985
Restricted assets:				
Expendable	1,098,312	1,059,959	-	-
Unrestricted	9,335,495	8,602,887	3,291,526	3,572,622
Total net assets	\$ 14,795,049	\$ 13,159,186	\$ 11,552,289	\$ 9,624,607

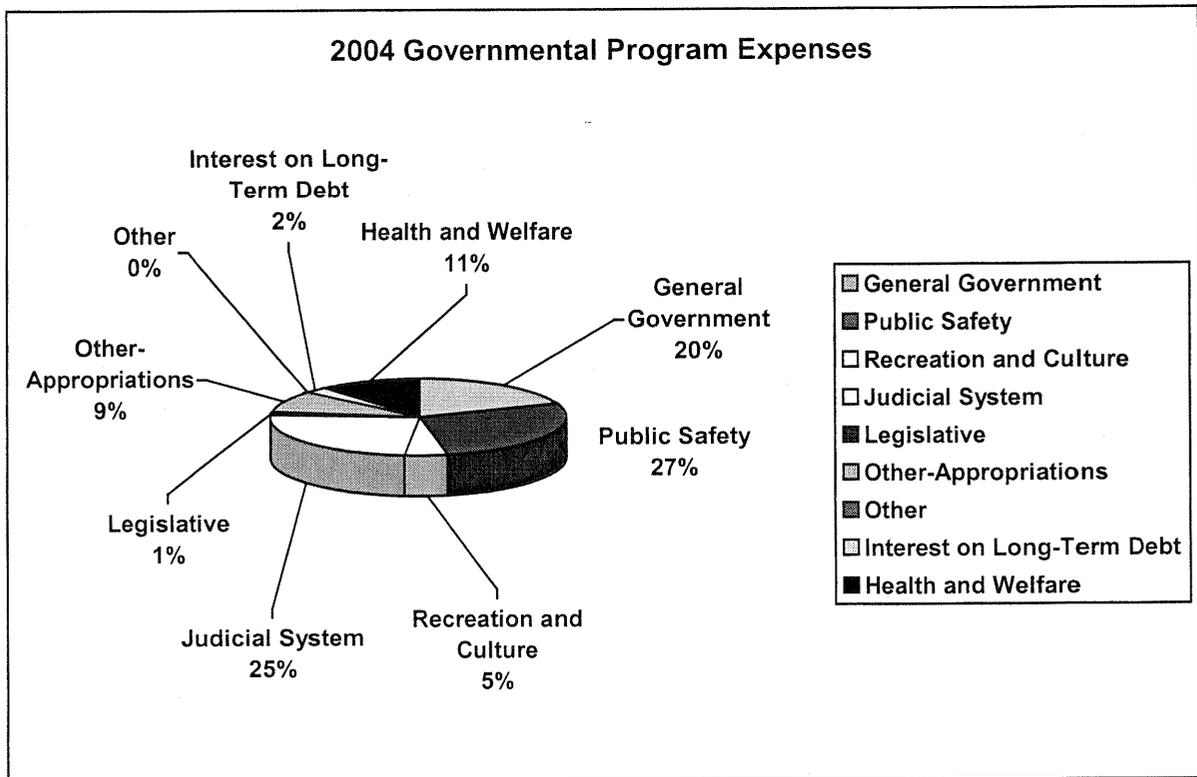
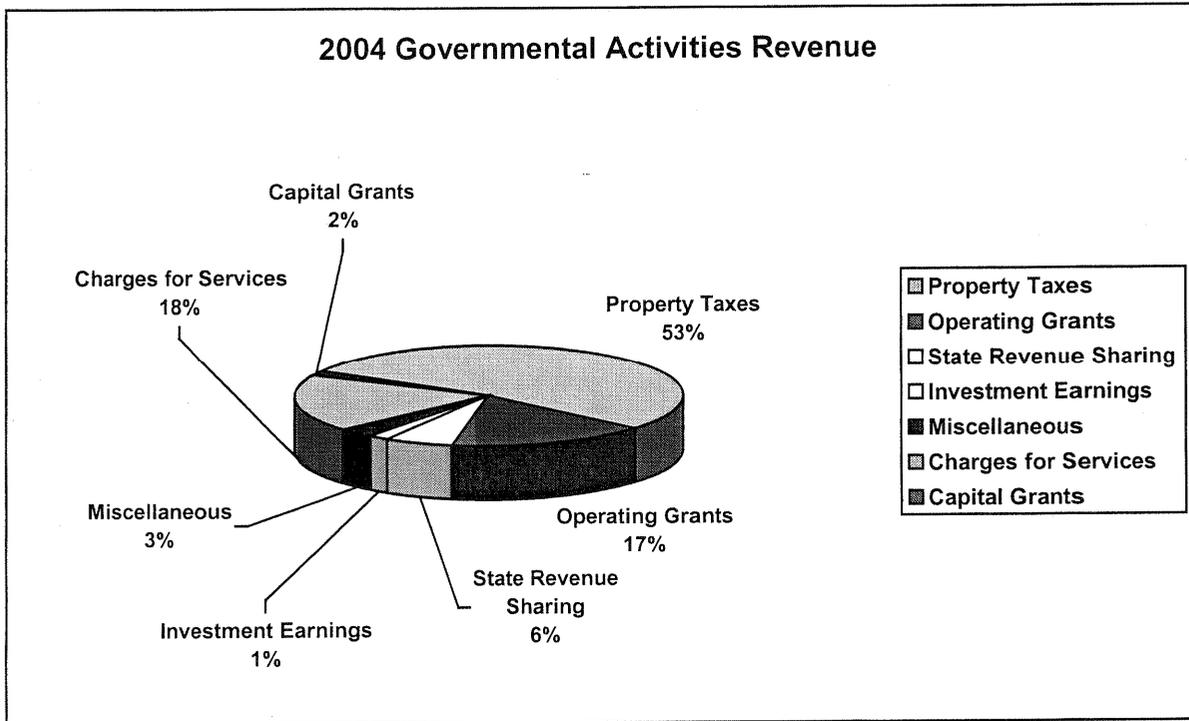
Net assets of the County's governmental activities stood at \$14,795,049, up from \$13,159,186 in 2003 (+12%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$9,335,495 and \$8,602,887 for 2004 and 2003 respectively.

Net assets in our business-type activities stood at \$11,552,289, up from \$9,624,607 in 2003 (+20%). Unrestricted net assets for our business-type activities were \$3,291,526 and \$3,572,622 for 2004 and 2003 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Revenues:				
Program Revenues:				
Charges for services	\$ 2,054,231	\$ 2,257,886	\$ 804,746	\$ 697,937
Operating grants	1,870,749	1,576,327	43,159	14,141
Capital grants	171,177	110,225	2,476,331	1,485,517
General Revenues:				
Property taxes	5,996,717	5,825,565	-	-
State revenue sharing	684,997	748,902	-	-
Grants and contributions not restricted to specific programs	602,606	-	-	-
Unrestricted investment earnings	164,309	192,700	15	14
Miscellaneous	359,768	313,883	-	-
Total Revenues	<u>11,904,554</u>	<u>11,025,488</u>	<u>3,324,251</u>	<u>2,197,609</u>
Program Expenses:				
Legislative	145,254	145,039	-	-
Judicial system	2,493,031	2,346,246	-	-
General government	1,975,609	2,097,928	-	-
Public safety	2,768,148	2,559,587	-	-
Health and welfare	1,120,940	1,121,988	-	-
Recreation and culture	478,782	490,211	-	-
Other-appropriations	889,422	616,302	-	-
Other	2,400	28,175	-	-
Interest on long-term debt	252,620	263,953	-	-
Delinquent tax revolving	-	-	19,240	34,517
Airport	-	-	995,208	936,249
Jail commissary	-	-	7,783	34,830
Total Expenses	<u>10,126,206</u>	<u>9,669,429</u>	<u>1,022,231</u>	<u>1,005,596</u>
Excess (deficiency) before transfers and contributions	1,778,348	1,356,059	2,302,020	1,192,013
Transfers	<u>(142,485)</u>	<u>(319,140)</u>	<u>(374,338)</u>	<u>265,012</u>
Increase (decrease) in net assets	1,635,863	1,036,919	1,927,682	1,457,025
Net assets - beginning	13,159,186	12,122,267	9,624,607	3,545,216
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,622,366</u>
Net assets - ending	<u>\$ 14,795,049</u>	<u>\$ 13,159,186</u>	<u>\$ 11,552,289</u>	<u>\$ 9,624,607</u>

Governmental Activities



Governmental Activities

Revenues for the County’s governmental activities totaled \$11,904,554, up 7.7% from \$11,025,488 in 2003. A large part of the increase was due to grants and contributions not restricted to specific programs in the amount of \$602,606 that was recorded for funds due from the U.S. Department of Commerce, Economic Development Administration, for capital improvements in relation to the Renaissance Zone. Expenses were down by 1% (\$67,034) which was primarily due to the internal service funds having an increase in net assets of \$682,159 which were allocated to the general government activity.

Table three below reflects the cost of each of the County’s five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Other – Appropriations, - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

**Table 3
Government Activities**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
Public safety	\$ 2,768,148	\$ 2,559,587	\$ 2,066,147	\$ 1,741,810
Judicial system	2,493,031	2,346,246	789,516	789,649
General government	1,975,609	2,097,928	1,211,658	1,282,184
Health and welfare	1,120,940	1,121,988	832,273	812,228
Other - appropriations	889,422	616,302	539,353	475,836
Totals	<u>\$ 9,247,150</u>	<u>\$ 8,742,051</u>	<u>\$ 5,438,947</u>	<u>\$ 5,101,707</u>

Business-Type Activities

The County’s business-type activities net assets totaled \$11,552,289, with an increase in the current year of \$1,927,682. A majority of the increase was due to contributions by the federal government for capital improvement projects at the airport for terminal expansion.

THE COUNTY’S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County’s net resources available for spending at the end of the fiscal year.

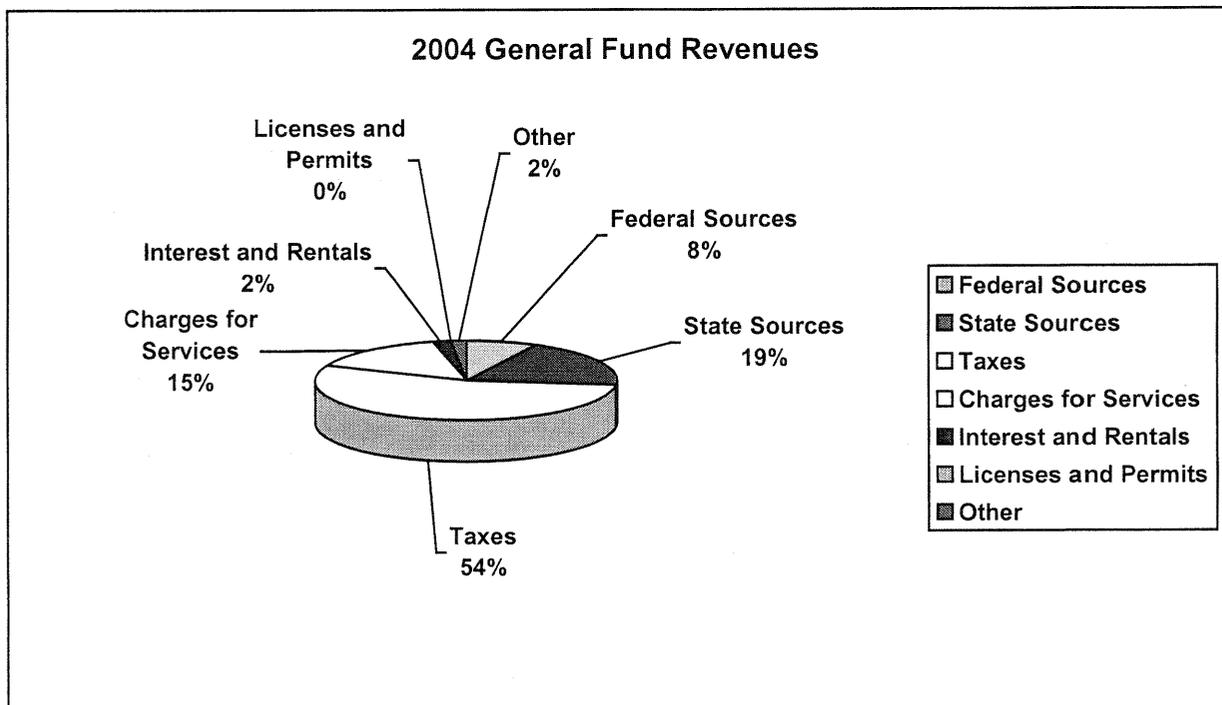
For the current fiscal year the County’s governmental funds reported total fund balance of \$4,618,853, which was all unreserved. The General Fund unreserved fund balance amounted to \$2,583,002, with \$91,446 designated for future retirement benefits. The General Fund had an increase in fund balance of \$268,581, representing an increase of 12% over the prior year fund

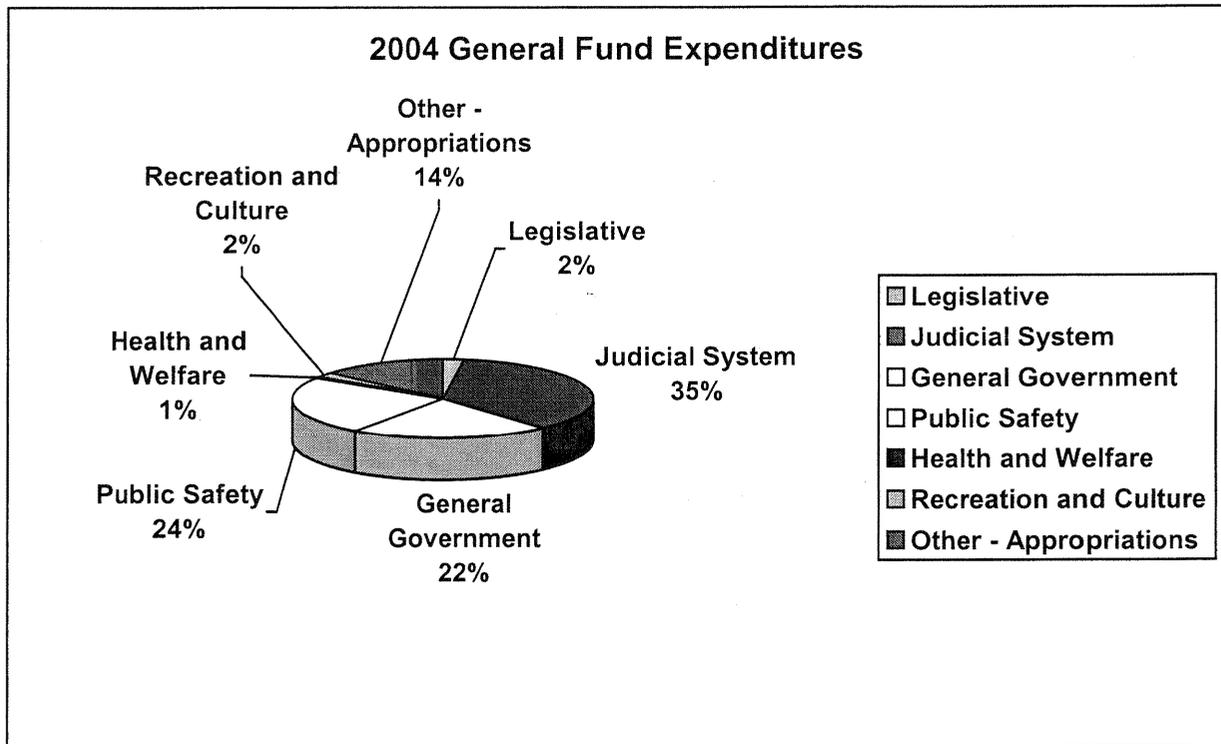
balance. The County's Road Patrol fund had an unreserved fund balance of \$460,639, of that amount, \$147,539 was designated for cost related to salary and fringe benefits for positions which are funded by the twenty-four hour road patrol millage. The Road Patrol fund had a decrease in fund balance of \$11,685, representing a 2% decrease. The Renaissance Zone fund was established for the purpose of accounting for the activities relating to the construction of the infrastructure at the Renaissance Zone. The fund balance at year end was a deficit of \$588,853, which relates to a timing difference between when the expenditures are recorded and the revenue recognized under modified accrual accounting.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues net change from the original budget to the final amended budget amounted to \$494,242, representing an increase of 6%. The budgeted expenditures of the final amended budget increased by \$356,951 over the original budget, representing an increase of less than 6%. The original budget projected a surplus of \$6,403, while the actual results showed an increase to fund balance of \$268,581. This was due to an increase of revenue, primarily from increased charges for services and an effort to contain costs resulted in the net change from the original budget to the final actual amounts.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the County had \$17,606,936, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

**Table 4
Capital Assets at Year-End
(net of accumulated depreciation)**

	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Land	\$ 13,350	\$ 13,350	\$ 1,031,579	\$ 1,031,579
Land Improvements	164,501	177,442	300,859	317,740
Construction in progress	649,256	-	-	268,279
Buildings and improvements	7,924,798	8,169,469	3,687,268	980,148
Machinery & Equipment	394,336	387,045	306,213	363,025
Infrastructure	-	-	3,134,776	3,318,746
Total	\$ 9,146,241	\$ 8,747,306	\$ 8,460,695	\$ 6,279,517

The most significant increase in additions to capital assets is the airport terminal project which was primarily completed as of September 30, 2004. This project is being funded primarily with federal funding as well as State of Michigan and local funds.

DEBT

At year-end the County had \$5,027,399 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Building Authority Bonds:						
Service Center	\$ 1,335,000	\$ 1,450,000	\$ -	\$ -	\$ 1,335,000	\$ 1,450,000
Courthouse Renovation	3,450,000	3,620,000	-	-	3,450,000	3,620,000
Notes Payable						
Energy conservation	42,467	-	-	-	42,467	-
1997 Hanger	-	-	90,652	107,538	90,652	198,190
2001 Hanger	-	-	109,280	119,994	109,280	119,994
Totals	<u>\$ 4,827,467</u>	<u>\$ 5,070,000</u>	<u>\$ 199,932</u>	<u>\$ 227,532</u>	<u>\$ 5,027,399</u>	<u>\$ 5,388,184</u>

The County approved the addition of an energy conservation note in the amount of \$50,632 for energy improvements to various county facilities. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$4,827,467 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Delta County area appears to be flat in relation to job growth or job loss. The cost of living in the Delta County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2005 budget.

We are in the process of the construction of a renovation/addition to the airport terminal. The project was started in 2004 and is expected to be completed in 2005. In addition, in 2004 the County began to install the infrastructure at the Renaissance Zone located at the county airport. This project is being funded in part by a grant from the United States Department of Economic Development Administration, Community Development Block Grant funds from the State of Michigan and local matching funds.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Delta County Courthouse, 310 Ludington Street, Escanaba, Michigan, 49829.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,866,837	\$ 1,860,239	\$ 10,727,076
Investments	1,813,475	300,900	2,114,375
Receivables:			
Accounts	28,835	21,911	50,746
Notes	389,058	-	389,058
Delinquent taxes	-	852,850	852,850
Interest	-	124,110	124,110
Due from other governmental units	948,754	-	948,754
Internal balances	63,763	-	63,763
Prepays	122,900	-	122,900
Inventory	-	21,912	21,912
Total current assets	<u>12,233,622</u>	<u>3,181,922</u>	<u>15,415,544</u>
Noncurrent assets:			
Delinquent taxes	-	246,824	246,824
Capital assets, net of accumulated depreciation	9,146,241	8,460,695	17,606,936
Total noncurrent assets	<u>9,146,241</u>	<u>8,707,519</u>	<u>17,853,760</u>
Total assets	<u>\$ 21,379,863</u>	<u>\$ 11,889,441</u>	<u>\$ 33,269,304</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 662,067	\$ 22,796	\$ 684,863
Accrued payroll	164,840	7,857	172,697
Internal balances	-	62,950	62,950
Accrued interest	40,188	-	40,188
Due to other governmental units	335,329	-	335,329
Deferred revenue	-	-	-
Long-term liabilities due within one year:			
Compensated absences	138,731	10,904	149,635
Notes payable	6,353	28,543	34,896
Bonds payable	290,000	-	290,000
Total current liabilities	<u>1,637,508</u>	<u>133,050</u>	<u>1,770,558</u>
Long-term liabilities:			
Compensated absences	416,192	32,713	448,905
Notes payable	36,114	171,389	207,503
Bonds payable	4,495,000	-	4,495,000
Total long-term liabilities	<u>4,947,306</u>	<u>204,102</u>	<u>5,151,408</u>
Total liabilities	<u>6,584,814</u>	<u>337,152</u>	<u>6,921,966</u>
NET ASSETS			
Invested in capital assets, net of related debts	4,361,242	8,260,763	12,622,005
Restricted for:			
Expendable:			
Special revenue	972,880	-	972,880
Debt service	1,981	-	1,981
Capital projects	123,451	-	123,451
Unrestricted	9,335,495	3,291,526	12,627,021
Total net assets	<u>14,795,049</u>	<u>11,552,289</u>	<u>26,347,338</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,379,863</u>	<u>\$ 11,889,441</u>	<u>\$ 33,269,304</u>

See accompanying notes to financial statements.

Component Units

District Health Department	Road Commission	Family Independence Agency
\$ 979,860	\$ 1,139,717	\$ 222,174
-	-	-
127,498	58,213	33,742
-	-	-
-	-	-
222,498	962,853	56,263
-	-	-
103,056	49,029	-
-	489,342	-
<u>1,432,912</u>	<u>2,699,154</u>	<u>312,179</u>
-	-	-
159,584	14,066,970	-
<u>159,584</u>	<u>14,066,970</u>	<u>-</u>
<u>\$ 1,592,496</u>	<u>\$ 16,766,124</u>	<u>\$ 312,179</u>
\$ 201,361	\$ 238,986	\$ -
83,068	55,875	-
-	-	-
-	114,500	-
-	-	33,742
-	411,455	-
89,144	52,411	-
-	81,811	-
-	105,000	-
<u>373,573</u>	<u>1,060,038</u>	<u>33,742</u>
267,432	157,233	-
-	-	-
-	5,145,000	-
<u>267,432</u>	<u>5,302,233</u>	<u>-</u>
<u>641,005</u>	<u>6,362,271</u>	<u>33,742</u>
159,584	8,735,159	-
420,499	-	-
-	-	-
-	-	-
<u>371,408</u>	<u>1,668,694</u>	<u>278,437</u>
<u>951,491</u>	<u>10,403,853</u>	<u>278,437</u>
<u>\$ 1,592,496</u>	<u>\$ 16,766,124</u>	<u>\$ 312,179</u>

COUNTY OF DELTA, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Fees, Fines and Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-type Activities			Total		
Primary government activities:								
Legislative	\$ 145,254	\$ -	\$ -	\$ -	\$ (145,254)	\$ -	\$ -	
Judicial system	2,493,031	675,154	1,028,361	-	(789,516)	-	(789,516)	
General government	1,975,609	705,917	58,034	-	(1,211,658)	-	(1,211,658)	
Public safety	2,768,148	333,572	348,429	20,000	(2,066,147)	-	(2,066,147)	
Health and welfare	1,120,940	37,765	250,902	-	(832,273)	-	(832,273)	
Recreation and culture	478,782	287,954	-	-	(190,828)	-	(190,828)	
Other - appropriation	889,422	13,869	185,023	151,177	(539,353)	-	(539,353)	
Other	2,400	-	-	-	(2,400)	-	(2,400)	
Interest on long-term debt	252,620	-	-	-	(252,620)	-	(252,620)	
Total governmental activities	10,126,206	2,054,231	1,870,749	171,177	(6,030,049)	-	(6,030,049)	
Business-type activities:								
Delinquent tax revolving	19,240	333,666	-	-	-	314,426	314,426	
Airport	995,208	456,080	43,159	2,476,331	-	1,980,362	1,980,362	
Jail commissary	7,783	15,000	-	-	-	7,217	7,217	
Total business-type activities	1,022,231	804,746	43,159	2,476,331	-	2,302,005	2,302,005	
Total primary government	11,148,437	2,858,977	1,913,908	2,647,508	(6,030,049)	2,302,005	(3,728,044)	
Component units:								
District Health Department	3,754,832	786,057	2,482,433	-	-	-	(486,342)	
Road Commission	4,908,623	1,411,249	3,037,543	3,000,865	-	-	2,541,034	
Family Independence Agency	946,730	-	1,041,419	-	-	-	94,689	
Total component units	\$ 9,610,185	\$ 2,197,306	\$ 6,561,395	\$ 3,000,865	-	-	2,149,381	
General revenues:								
Property taxes					5,996,717	-	5,996,717	
State revenue sharing					684,997	-	684,997	
Grants and contributions not restricted to specific programs					602,606	-	602,606	
Unrestricted investment earnings					164,309	15	164,324	
Miscellaneous					359,768	-	359,768	
Transfers					(142,485)	(374,338)	(516,823)	
Total general revenues and transfers					7,665,912	(374,323)	7,291,589	
Change in net assets					1,635,863	1,927,682	3,563,545	
Net assets, beginning					13,159,186	9,624,607	22,783,793	
Net assets, ending					\$ 14,795,049	\$ 11,552,289	\$ 26,347,338	

See accompanying notes to financial statements

COUNTY OF DELTA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	General Fund	Road Patrol	Renaissance Zone	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents:					
Unrestricted	\$ 3,161,760	\$ 431,789	\$ 13,752	\$ 2,221,865	\$ 5,829,166
Receivables:					
Accounts	-	4,976	-	23,859	28,835
Due from other funds	30,331	15,741	-	-	46,072
Due from State of Michigan	295,893	-	-	4,605	300,498
Prepaid expense	94,500	28,400	-	-	122,900
	<u>\$ 3,582,484</u>	<u>\$ 480,906</u>	<u>\$ 13,752</u>	<u>\$ 2,250,329</u>	<u>\$ 6,327,471</u>
Total assets					
	<u>\$ 3,582,484</u>	<u>\$ 480,906</u>	<u>\$ 13,752</u>	<u>\$ 2,250,329</u>	<u>\$ 6,327,471</u>
LIABILITIES					
Accounts payable	\$ 13,893	\$ -	\$ 602,605	\$ 45,569	\$ 662,067
Due to other funds	689,943	-	-	14,181	704,124
Due to other governmental units	174,753	-	-	10,785	185,538
Accrued payroll and related liabilities	120,893	20,267	-	15,729	156,889
	<u>999,482</u>	<u>20,267</u>	<u>602,605</u>	<u>86,264</u>	<u>1,708,618</u>
Total liabilities					
	<u>999,482</u>	<u>20,267</u>	<u>602,605</u>	<u>86,264</u>	<u>1,708,618</u>
FUND BALANCES					
Unreserved:					
Designated	91,446	147,539	-	751,999	990,984
Undesignated	2,491,556	313,100	(588,853)	-	2,215,803
Unreserved, reported as non-major:					
Special revenue funds	-	-	-	1,135,513	1,135,513
Debt service	-	-	-	50,129	50,129
Capital projects	-	-	-	226,424	226,424
	<u>2,583,002</u>	<u>460,639</u>	<u>(588,853)</u>	<u>2,164,065</u>	<u>4,618,853</u>
Total fund balances					
	<u>2,583,002</u>	<u>460,639</u>	<u>(588,853)</u>	<u>2,164,065</u>	<u>4,618,853</u>
Total liabilities and fund balances	<u>\$ 3,582,484</u>	<u>\$ 480,906</u>	<u>\$ 13,752</u>	<u>\$ 2,250,329</u>	<u>\$ 6,327,471</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2004

Total fund balances for governmental funds \$ 4,618,853

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and land improvements	271,512	
Construction in progress	649,256	
Buildings and improvements	11,739,504	
Machinery and equipment	779,542	
Accumulated depreciation	<u>(4,293,573)</u>	
Total capital assets		9,146,241

The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net assets. 5,954,068

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Due to the State of Michigan for revenue sharing advance	(149,791)	
Accrued interest on long-term debt	(40,188)	
Bonds payable	(4,785,000)	
Notes payable	(42,467)	
Compensated absences	<u>(554,923)</u>	(5,572,369)

In the governmental fund statements, the County use sixty days to accrue revenue under modified accrual. Revenue which did not meet the sixty day definition of available which was recorded in the government-wide financial statements amounted to: 648,256

Total net assets of governmental activities \$ 14,795,049

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	General Fund	Road Patrol	Renaissance Zone	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,721,189	\$ 785,391	\$ -	\$ 490,137	\$ 5,996,717
Licenses and permits	5,893	-	-	3,045	8,938
Federal sources	659,938	74,253	-	239,544	973,735
State sources	1,665,016	123,576	-	114,934	1,903,526
Local sources	-	44,012	-	53,842	97,854
Charges for services	1,303,525	13,339	-	31,228	1,348,092
Interest and rentals	161,894	-	-	386,995	548,889
Other	147,097	4,200	480	299,803	451,580
Total revenues	8,664,552	1,044,771	480	1,619,528	11,329,331
EXPENDITURES:					
Legislative	145,254	-	-	-	145,254
Judicial system	2,388,502	-	-	27,433	2,415,935
General government	1,446,097	-	-	373,547	1,819,644
Public safety	1,573,897	964,236	-	135,870	2,674,003
Health and welfare	43,428	-	-	1,077,512	1,120,940
Recreation and cultural	126,307	-	-	323,213	449,520
Others - appropriations	889,422	-	-	-	889,422
Capital outlay	-	87,220	652,718	98,031	837,969
Debt service:					
Principal	-	-	-	285,000	285,000
Interest	-	-	-	254,918	254,918
Other	-	-	-	2,400	2,400
Total expenditures	6,612,907	1,051,456	652,718	2,577,924	10,895,005
Excess revenues (expenditures)	2,051,645	(6,685)	(652,238)	(958,396)	434,326
OTHER FINANCING SOURCES (USES):					
Transfer in	75,834	-	50,000	1,524,045	1,649,879
Transfer out	(1,858,898)	(5,000)	-	(308,486)	(2,172,384)
Total other financing sources (uses)	(1,783,064)	(5,000)	50,000	1,215,559	(522,505)
Net change in fund balance	268,581	(11,685)	(602,238)	257,163	(88,179)
Fund balances - beginning of year	2,314,421	472,324	13,385	1,906,902	4,707,032
Fund balances - end of year	<u>\$ 2,583,002</u>	<u>\$ 460,639</u>	<u>\$ (588,853)</u>	<u>\$ 2,164,065</u>	<u>\$ 4,618,853</u>

See accompanying notes to financial statements.

DELTA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

Net changes in fund balances - total governmental funds \$ (88,179)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$356,420) was exceeded by capital outlays (\$781,169). 424,749

Internal service funds are used by management to account for activities related to accumulating resources to pay for sick leave upon termination, the accumulation of residual equity from delinquent tax collections and the operation of the service center building. The net revenue (expense) of the internal service funds is reported with governmental activities. 682,159

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Bond principal	285,000
Note principal	8,165

Under modified accrual, the County considers revenues that are available to finance current liabilities as those that are collected within sixty days. Revenues which were recorded in the government-wide financial statements and not in the governmental fund financial statements amounted to: 575,223

Net change in net book value of asset disposals (25,814)

Activity relating to the improvements made as part of the energy conservation note (50,632)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Amount owed to the State of Michigan for revenue sharing advance	(149,791)	
Compensated absences	(27,315)	
Accrued interest on bonds	2,298	(174,808)

Changes in net assets of governmental activities \$ 1,635,863

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2004

	Airport	Tax Revolving 2003	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	\$ 99,549	\$ 653,110	\$ 1,107,580	\$ 1,860,239	\$ 3,037,671
Investments	-	-	300,900	300,900	1,813,475
Receivables:					
Accounts	21,911	-	-	21,911	-
Notes	-	-	-	-	389,058
Current taxes	-	665,447	187,403	852,850	-
Interest	-	62,108	62,002	124,110	-
Due from other funds	-	-	-	-	752,893
Inventory	21,912	-	-	21,912	-
Total current assets	<u>143,372</u>	<u>1,380,665</u>	<u>1,657,885</u>	<u>3,181,922</u>	<u>5,993,097</u>
Noncurrent assets:					
Delinquent taxes	-	221,816	25,008	246,824	-
Capital assets, net of accumulated depreciation	8,460,695	-	-	8,460,695	-
Total noncurrent assets	<u>8,460,695</u>	<u>221,816</u>	<u>25,008</u>	<u>8,707,519</u>	<u>-</u>
Total assets	<u>\$ 8,604,067</u>	<u>\$ 1,602,481</u>	<u>\$ 1,682,893</u>	<u>\$ 11,889,441</u>	<u>\$ 5,993,097</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 22,796	\$ -	\$ -	\$ 22,796	\$ -
Accrued payroll	7,625	-	232	7,857	7,951
Due to other funds	62,950	-	-	62,950	31,078
Compensated absences	10,904	-	-	10,904	-
Notes payable	28,543	-	-	28,543	-
Total current liabilities	<u>132,818</u>	<u>-</u>	<u>232</u>	<u>133,050</u>	<u>39,029</u>
Noncurrent liabilities:					
Compensated absences	32,713	-	-	32,713	-
Notes payable	171,389	-	-	171,389	-
Total noncurrent liabilities	<u>204,102</u>	<u>-</u>	<u>-</u>	<u>204,102</u>	<u>-</u>
Total liabilities	<u>336,920</u>	<u>-</u>	<u>232</u>	<u>337,152</u>	<u>39,029</u>
NET ASSETS					
Invested in capital assets, net of related debt	8,260,763	-	-	8,260,763	-
Unrestricted	6,384	1,602,481	1,682,661	3,291,526	5,954,068
Total net assets	<u>8,267,147</u>	<u>1,602,481</u>	<u>1,682,661</u>	<u>11,552,289</u>	<u>5,954,068</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,604,067</u>	<u>\$ 1,602,481</u>	<u>\$ 1,682,893</u>	<u>\$ 11,889,441</u>	<u>\$ 5,993,097</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Airport	Tax Revolving 2003	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 65,066	\$ 46,358	\$ 64,848	\$ 176,272	\$ -
Fuel sales	304,253	-	-	304,253	-
Rental and interest income	101,155	107,554	125,742	334,451	693,334
Miscellaneous	28,765	-	4,164	32,929	63,686
	<u>499,239</u>	<u>153,912</u>	<u>194,754</u>	<u>847,905</u>	<u>757,020</u>
OPERATING EXPENSES:					
Salaries and fringes	356,267	-	3,839	360,106	357,560
Supplies	10,377	6,431	10,889	27,697	53,726
Cost of goods sold	202,987	-	-	202,987	-
Contracted services	11,456	-	694	12,150	9,163
Travel	-	-	1,029	1,029	-
Repairs and maintenance	24,346	-	-	24,346	21,386
Utilities	33,472	-	-	33,472	45,772
Recording fees	-	-	4,080	4,080	-
Advertising and promotion	23,524	-	-	23,524	-
Insurance	18,048	-	-	18,048	-
Education and training	4,369	-	-	4,369	-
Lease	12,547	-	-	12,547	-
Depreciation	295,153	-	-	295,153	-
Miscellaneous	261	-	61	322	-
	<u>992,807</u>	<u>6,431</u>	<u>20,592</u>	<u>1,019,830</u>	<u>487,607</u>
Operating income (loss)	<u>(493,568)</u>	<u>147,481</u>	<u>174,162</u>	<u>(171,925)</u>	<u>269,413</u>
NONOPERATING REVENUES (EXPENSES):					
Interest income	15	-	-	15	32,726
Interest expense	(2,401)	-	-	(2,401)	-
	<u>(2,386)</u>	<u>-</u>	<u>-</u>	<u>(2,386)</u>	<u>32,726</u>
Income (loss) before transfers and contributions	(495,954)	147,481	174,162	(174,311)	302,139
Capital contributions	2,476,331	-	-	2,476,331	-
Transfer in	230,000	1,455,000	7,625	1,692,625	2,074,711
Transfer out	-	-	(2,066,963)	(2,066,963)	(1,694,691)
	<u>2,210,377</u>	<u>1,602,481</u>	<u>(1,885,176)</u>	<u>1,927,682</u>	<u>682,159</u>
Total net assets - beginning	<u>6,056,770</u>	<u>-</u>	<u>3,567,837</u>	<u>9,624,607</u>	<u>5,271,909</u>
Total net assets - ending	<u>\$ 8,267,147</u>	<u>\$ 1,602,481</u>	<u>\$ 1,682,661</u>	<u>\$ 11,552,289</u>	<u>\$ 5,954,068</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Airport	Tax Revolving 2003	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 366,113	\$ 46,358	\$ 68,736	\$ 481,207	\$ -
Receipts from interest and rents	101,155	45,446	182,611	329,212	850,233
Cash received for collection of taxes	-	1,142,952	879,907	2,022,859	-
Payments to suppliers	(271,493)	(6,431)	(16,753)	(294,677)	(130,047)
Payments for wages and related benefits	(354,620)	-	(3,607)	(358,227)	(354,839)
Cash payments for taxes	-	(2,030,215)	-	(2,030,215)	-
Other receipts (payments)	28,765	-	-	28,765	-
Net cash provided (used) by operating activities	<u>(130,080)</u>	<u>(801,890)</u>	<u>1,110,894</u>	<u>178,924</u>	<u>365,347</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	230,000	1,455,000	7,625	1,692,625	2,074,711
Operating transfer out	-	-	(2,066,963)	(2,066,963)	(1,694,691)
Net cash provided (used) by noncapital financing activities	<u>230,000</u>	<u>1,455,000</u>	<u>(2,059,338)</u>	<u>(374,338)</u>	<u>380,020</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(2,476,331)	-	-	(2,476,331)	-
Principal paid on debt instruments	(27,600)	-	-	(27,600)	-
Interest paid on debt instruments	(2,401)	-	-	(2,401)	-
Capital contributions	2,476,331	-	-	2,476,331	-
Net cash provided (used) by capital and related financing activities	<u>(30,001)</u>	<u>-</u>	<u>-</u>	<u>(30,001)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	15	-	-	15	32,726
Net increase (decrease) in cash and equivalents	69,934	653,110	(948,444)	(225,400)	778,093
Cash and equivalents, beginning of year	29,615	-	2,356,924	2,386,539	4,073,053
Cash and equivalents, end of year	<u>\$ 99,549</u>	<u>\$ 653,110</u>	<u>\$ 1,408,480</u>	<u>\$ 2,161,139</u>	<u>\$ 4,851,146</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (493,568)	\$ 147,481	\$ 174,162	\$ (171,925)	\$ 269,413
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	295,153	-	-	295,153	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	(3,206)	(949,371)	936,500	(16,077)	80,330
(Increase) decrease in due from other funds	-	-	-	-	12,883
(Increase) decrease in inventory	(7,629)	-	-	(7,629)	-
Increase (decrease) in accounts payable	14,573	-	-	14,573	-
Increase (decrease) in accrued payroll	1,647	-	232	1,879	2,721
Increase (decrease) in due to other funds	62,950	-	-	62,950	-
Total adjustments	<u>363,488</u>	<u>(949,371)</u>	<u>936,732</u>	<u>350,849</u>	<u>95,934</u>
Net cash provided by operating activities	<u>\$ (130,080)</u>	<u>\$ (801,890)</u>	<u>\$ 1,110,894</u>	<u>\$ 178,924</u>	<u>\$ 365,347</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 3,143,632
Due from other funds	<u>14,181</u>
Total assets	<u><u>\$ 3,157,813</u></u>
LIABILITIES	
Due to other funds	\$ 14,994
Due to other governmental units	95,122
Undistributed taxes	2,341,999
Other liabilities	<u>705,698</u>
Total liabilities	<u><u>\$ 3,157,813</u></u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Delta was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Escanaba.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, Delta County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Parks - The Parks Fund is governed by a board, which is appointed by the County's Board of Commissioners. For financial reporting purposes, the Parks Fund is reported as if it were part of the County's operations because its purpose is to provide recreational facilities to the citizens of the County.

Airport - The members of the governing board of the Delta County Airport are appointed by the County's Board of Commissioners. For financial reporting purposes, the Airport is reported as if it were part of the County's operations because its purpose is to provide the opportunity for air travel for the citizens of the Delta County area.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Building Authority - The Delta County Building Authority is governed by a board which has been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as if it were part of the County's operations because its purpose is to finance construction projects for the County and the departments of the County.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Delta-Menominee District Health, Family Independence Agency and the Delta County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Delta-Menominee District Health - The members of the governing board of Delta-Menominee District Health are jointly appointed by the Delta County Board of Commissioners and Menominee County Board of Commissioners. Two of the three board members appointed by Delta County are County Commissioners. The Health Department's operations and capital budgets must be approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office. The Health Department received \$738,413 in appropriations, Delta County's appropriation was \$516,823 or 70% of total appropriations and Menominee County's appropriation was \$221,590 or 30% of total appropriations.

Delta-Menominee District Health
2920 College Avenue
Escanaba, Michigan 49829

Family Independence Agency - The Family Independence Agency in 2004 became a Zone 1 Regional FIA which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon and Alger. Each county maintains its own three member FIA board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County's financial report because the treasury function of the Agency rests with the Delta County Treasurer. Additional financial information of the agency may be obtained directly from their administrative offices.

Family Independence Agency
2920 College Avenue
Escanaba, Michigan 49829

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Road Commission - The members of the governing board of the Road Commission are elected by the citizenry in a general, popular election. The Road Commission provides the citizens of Delta County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval.

Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Related Organization - The Delta Area Transit Authority is an authority for which the Delta County Board of Commissioners appoints the governing board but the Authority is not financially accountable to the County Board. The Delta Area Transit Authority provides low-cost transportation to the citizens of Delta County. Complete financial statements of the Authority can be obtained directly from their administrative office.

Delta Area Transit Authority
2901 27th Avenue North
Escanaba, Michigan 49829

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Delta:

Delta County Landfill Authority - The Authority is formed under separate statutes and ordinances which provide for operation as a joint venture of the participating governmental units. Certain information applicable to the Authority is disclosed in Note Q to the financial statements.

Pinecrest Medical Care Facility - Delta County is a participant with Dickinson and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Pathways -On January 1, 1998 the Delta County Community Mental Health Center merged its operations with Superior Behavioral Health which operates under the name of Pathways.

Pathways was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of \$275,608.

Complete financial statements for Pathways can be obtained from their office located at 2820 College Avenue, Escanaba, MI 49829.

Accounting Policies - The accounting policies of the County of Delta conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Road Patrol – The Road Patrol fund accounts for the activities related to the operation of a twenty-four hour road patrol in the county, which is maintained by a separate tax levy.

Renaissance Zone – The Renaissance Zone fund accounts for the activity relating to the construction of a tax-free industrial airpark which is located at the County Airport property.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2003 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes of similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are charges to customers for sales and services and the principal operating revenues of the Tax Revolving 2003 fund are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.
- e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

- Resources (revenues)
- General appropriations and functional groups
- Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

- f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.
- g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."
- h. Budgets have been amended during 2004. All budget amendments are presented to the Finance Committee or the County Administrator by the department heads for approval. In September, the Board of Commissioners approved all amendments to the annual budget.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents - For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is valued and recorded as an asset at cost on the first-in first-out method for the Airport enterprise fund. Inventories of all other funds are accounted for as expenditures when purchased.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

Capital Assets - Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - FUND BALANCE NON-COMPLIANCE

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the Renaissance Zone fund of \$588,853. Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,490. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,137,440	\$ 1,150,972
Uninsured	12,733,268	13,243,692
Total cash	\$ 13,870,708	\$ 14,394,664
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 10,727,076	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	3,143,632	
Total cash and equivalents	\$ 13,870,708	
Investments:		
Risk categorized investments:		
Government money market (3)	1,082,657	
Pooled investment account (3)	1,031,718	
Total investments	\$ 2,114,375	

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

- Category 1: Insured or registered, or securities held by the County or its agents in Delta County's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent in Delta County's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent but not in Delta County's name.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2004 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Termination/Sick Leave	\$ 15,337
		Trust and Agency	14,994
General Fund	\$ 30,331	Subtotal	30,331
Road Patrol	15,741	Termination/Sick Leave	15,741
		General Fund	689,943
		Airport	62,950
Residual Equity	752,893	Subtotal	752,893
Trust and Agency	14,181	County Parks	14,181
Total	\$ 813,146	Total	\$ 813,146

Financial Statement Presentation:

Governmental Funds	\$ 46,072	Governmental Funds	\$ 704,124
Enterprise Funds	-	Enterprise Funds	62,950
Internal Service Funds	752,893	Internal Service Funds	31,078
Fiduciary Funds	14,181	Fiduciary Funds	14,994
Total	\$ 813,146	Total	\$ 813,146

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,350	\$ -	\$ -	\$ 13,350
Construction in progress	-	649,256	-	649,256
Capital assets being depreciated:				
Land improvements	258,162	-	-	258,162
Buildings and improvements	11,733,104	6,400	-	11,739,504
Machinery and equipment	714,813	125,513	60,784	779,542
Total capital assets	<u>12,719,429</u>	<u>781,169</u>	<u>60,784</u>	<u>13,439,814</u>
Less accumulated depreciation:				
Land improvements	80,720	12,941	-	93,661
Buildings and improvements	3,563,635	251,070	-	3,814,705
Machinery and equipment	327,768	92,409	34,970	385,207
Total accumulated depreciation	<u>3,972,123</u>	<u>356,420</u>	<u>34,970</u>	<u>4,293,573</u>
Governmental activities capital assets, net	<u>\$ 8,747,306</u>	<u>\$ 424,749</u>	<u>\$ 25,814</u>	<u>\$ 9,146,241</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,031,579	\$ -	\$ -	\$ 1,031,579
Construction in progress	268,279	-	268,279	-
Capital assets being depreciated:				
Land improvements	337,621	-	-	337,621
Buildings and improvements	1,573,866	2,744,610	-	4,318,476
Machinery and equipment	907,422	-	-	907,422
Infrastructure	5,223,596	-	-	5,223,596
Total capital assets	<u>9,342,363</u>	<u>2,744,610</u>	<u>268,279</u>	<u>11,818,694</u>
Less accumulated depreciation:				
Land improvements	19,881	16,881	-	36,762
Buildings and improvements	593,718	37,489	-	631,207
Machinery and equipment	544,397	56,812	-	601,209
Infrastructure	1,904,850	183,971	-	2,088,821
Total accumulated depreciation	<u>3,062,846</u>	<u>295,153</u>	<u>-</u>	<u>3,357,999</u>
Business-type activities capital assets, net	<u>\$ 6,279,517</u>	<u>\$ 2,449,457</u>	<u>\$ 268,279</u>	<u>\$ 8,460,695</u>

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 67,991
General government	174,127
Public safety	85,040
Recreation and culture	<u>29,262</u>
Total governmental activities depreciation expense	<u>\$ 356,420</u>
Business-type activities:	
Airport	<u>\$ 295,153</u>

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/03	Additions	Disposals	Balance at 09/30/04
Capital assets not being depreciated:				
Land	\$ 1,410,797	\$ -	\$ -	\$ 1,410,797
Capital assets being depreciated:				
Buildings and improvements	6,698,480	65,967	-	6,764,447
Machinery and equipment	6,182,942	559,238	442,467	6,299,713
Infrastructure - roads	2,944,475	2,390,831	-	5,335,306
Infrastructure - bridges	161,092	-	-	161,092
Total capital assets	<u>17,397,786</u>	<u>3,016,036</u>	<u>442,467</u>	<u>19,971,355</u>
Less accumulated depreciation:				
Buildings and improvements	878,303	179,432	-	1,057,735
Machinery and equipment	4,486,244	605,888	453,671	4,638,461
Infrastructure - roads	26,652	175,630	-	202,282
Infrastructure - bridges	2,685	3,222	-	5,907
Total accumulated depreciation	<u>5,393,884</u>	<u>964,172</u>	<u>453,671</u>	<u>5,904,385</u>
Capital assets, net	<u>\$ 12,003,902</u>	<u>\$ 2,051,864</u>	<u>\$ (11,204)</u>	<u>\$ 14,066,970</u>

The Road Commission has elected to prospectively report infrastructure assets, rather than retroactively report on infrastructure, as permitted by GASB Statement 34.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G – LONG – TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2004:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds- Service Center	\$ 1,450,000	\$ -	\$ 115,000	\$ 1,335,000	\$ 115,000
Building Authority bonds- Courthouse Renovation	3,620,000	-	170,000	3,450,000	175,000
Energy note	-	50,632	8,165	42,467	6,353
Compensated absences	527,608	27,315	-	554,923	138,731
Total governmental activities long-term debt	\$ 5,597,608	\$ 77,947	\$ 293,165	\$ 5,382,390	\$ 435,084
Business-type activities:					
Note payable-1997 hanger	\$ 107,538	\$ -	\$ 16,886	\$ 90,652	\$ 17,355
Note payable-2001 hanger	119,994	-	10,714	109,280	11,188
Compensated absences	43,447	170	-	43,617	10,904
Total business-type activities long-term debt	\$ 270,979	\$ 170	\$ 27,600	\$ 243,549	\$ 39,447

Debt service requirements on long-term debt at September 30, 2004 are as follows:

For the Year Ending September 30,	Governmental Activities				Business-Type Activities	
	Bonds Payable		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 290,000	\$ 241,128	\$ 6,353	\$ 791	\$ 28,543	\$ 1,387
2006	320,000	226,915	6,481	663	28,766	1,233
2007	330,000	211,050	6,612	532	28,992	1,008
2008	365,000	194,550	6,746	399	29,219	781
2009	370,000	176,140	6,882	263	29,447	553
2010-2014	1,880,000	586,285	9,393	134	54,965	933
2015-2019	1,230,000	157,500	-	-	-	-
Total	\$4,785,000	\$1,793,568	\$ 42,467	\$ 2,782	\$ 199,932	\$ 5,895

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE G – LONG – TERM DEBT (continued)

Governmental Activities:

In 1988, the Delta County Building Authority issued bonds for the purpose of constructing a Mental Health Facility. In 1994 the Building Authority redeemed the outstanding 1988 bond issue with a refunding bond issue in the amount of \$2,180,000. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate ranging between 3.1% to 5.3%.

In 1994 the Delta County Building Authority issued bonds in the amount of \$4,820,000 for the purpose of renovating the county courthouse. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate of 5%.

In 2004, the County signed a note with Northern Lights Revolving Loan Fund, which is operated by the Michigan Technical Education Center in the amount up to \$250,000 for the purposes of funding certain energy improvement projects on county operated facilities. The note amounted to \$50,632 and will be amortized for seven years and bears an interest rate of 2%.

Business-Type Activities:

During the year ended September 30, 1997 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of \$183,000 for the construction of hangars. The note calls for monthly payments of \$1,500 until the year 2010 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately .78% for the year ended September 30, 2004.

Also, during the year ended September 30, 2001, the Airport Fund borrowed an additional \$135,000 from the Residual Equity Fund for the construction of an additional hangar. The note calls for monthly payments of \$1,000 per month until the year 2014 and has the same interest rate feature as the 1997 note.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of \$554,923 are reported under the governmental activities and \$43,617 is reported under business-type activities in the Statement of Net Assets.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2003	Additions	Deductions	Balance 9/30/2004	Amounts Due Within One Year
Michigan Transportation Fund Bonds	\$ 5,345,000	\$ -	\$ 95,000	\$ 5,250,000	\$ 105,000
Michigan Transportation Fund Loan	310,851	-	229,040	81,811	81,811
Notes payable:					
Associated Commercial - #1	62,478	-	62,478	-	-
Associated Commercial - #2	4,269	-	4,269	-	-
Compensated Absences	194,210	15,434	-	209,644	52,411
 Total long-term debt	 <u>\$ 5,916,808</u>	 <u>\$ 15,434</u>	 <u>\$ 295,787</u>	 <u>\$ 5,541,455</u>	 <u>\$ 239,222</u>

Debt service requirements on long-term debt at September 30, 2004 are as follows:

For the Year Ending September 30,	County Road Commission			
	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2005	\$ 105,000	\$ 263,925	\$ 81,811	\$ 3,272
2006	110,000	256,537	-	-
2007	115,000	250,180	-	-
2008	120,000	244,775	-	-
2009	125,000	239,140	-	-
2010-2014	750,000	1,097,653	-	-
2015-2019	975,000	885,918	-	-
2020-2024	1,280,000	603,585	-	-
2025-2029	1,670,000	225,889	-	-
 Total	 <u>\$ 5,250,000</u>	 <u>\$ 4,067,602</u>	 <u>\$ 81,811</u>	 <u>\$ 3,272</u>

Bonds Payable:

In 1999, the Delta County Board of Commissioners approved and issued Michigan Transportation Fund Bonds in the amount of \$5,690,000 for the purpose of constructing a new county road commission facility. Annual principal payments are due each November 1st and semi-annual interest payments are due each May 1st and November 1st, and bear an interest rate ranging between 4.6% to 7.0%.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H – ROAD COMMISSION LONG-TERM DEBT (continued)

Notes Payable:

In 2000 the Delta County Board of Road Commissioners entered into two separate installments loan agreements to finance the purchase of various items of road equipment. The annual requirements to pay the principal and interest on the loan balances at September 30, 2004 are as follows:

Terms: 63 monthly payments of \$10,565.71 at 5.02% interest from January 1999 to March 2004 at Associates Commercial Corp. This loan was paid-off in 2004.

Terms: 60 monthly payments of \$4,288.75 at 5.65% interest from November 1998 to October 2003 at Associates Commercial Corp. This loan was paid-off in 2004.

In November 2000 a Michigan Transportation Loan Fund note was issued to the Road Commission for \$1,075,000. Terms specify repayment at \$198,474 per year plus interest at 4% per year.

Compensated Absences:

The Road Commission employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the number of years of service of the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$209,644 for the year ended September 30, 2004.

NOTE I – DISTRICT HEALTH COMPENSATED ABSENCES

The Health Department's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to \$356,576 for the year ended September 30, 2004.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 75,834	\$ 1,858,898
Road Patrol	-	5,000
County Parks	30,000	-
Jail/Out of County Prisoner	141,000	75,834
Building and Zoning	10,000	-
Drug Enforcement	5,000	-
Law Library	20,000	-
Soldiers and Sailors	350	-
Co-Probation	90,000	-
Juvenile Drug Grant	50,000	-
Child Care	528,225	140,000
Library Penal Fines	-	4,500
Courthouse Renovation	351,000	-
Service Center Debt	189,318	-
PFC Airport Improvement	67,152	-
Airport Improvement	-	67,152
Capital Outlay	42,000	21,000
Renaissance Zone	50,000	-
Enterprise Funds:		
Airport	230,000	-
Tax Revolving Administration	7,625	-
Tax Revolving 1997	-	1,829
Tax Revolving 1998	-	441
Tax Revolving 1999	-	4,602
Tax Revolving 2000	-	1,460
Tax Revolving 2001	-	423,217
Tax Revolving 2002	-	1,635,414
Tax Revolving 2003	1,455,000	-
Internal Service Funds:		
Termination/Sick Leave	15,000	-
Service Center	-	189,318
Residual Equity	2,059,711	1,505,373
Component Units:		
District Health	516,823	-
	<u>\$ 5,934,038</u>	<u>\$ 5,934,038</u>
Total	<u>\$ 5,934,038</u>	<u>\$ 5,934,038</u>

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS

General County

Plan Description - The General County, District Health Department (discretely presented component unit) and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - The General County offers its various departments either benefit B-2 or B-4. Under benefit B-2 employees shall receive 2.0% of their five-year final average compensation. Benefit B-4 provides for employees to receive 2.5% of their final three or five year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:		
Retirees and beneficiaries currently receiving benefits	\$	7,318,638
Terminated employees not yet receiving benefits		470,210
Non-vested terminated employees (pending refunds of accumulated member contributions)		25,292
Current Employees:		
Accumulated employee contributions including allocated investment income		348,021
Employer financed		<u>10,004,847</u>
Total actuarial accrued liability		18,167,008
Net assets available for benefits, at actuarial value (market value is \$11,820,826)		<u>12,945,707</u>
Unfunded (overfunded) actuarial accrued liability	\$	5,221,301

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning		October 1, 2005
Annual required contribution (ARC)	\$	749,820
Amortization factor used		0.053632

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 635,558	100%	\$ -
2002	651,672	100%	-
2003	685,795	100%	-

The General County was required to contribute \$715,819 for the year ended September 30, 2004. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 11,123,989	\$ 14,835,801	\$ 3,711,812	75%	\$ 3,569,050	104%
2002	11,803,299	16,653,992	4,850,693	71%	3,540,652	137%
2003	12,945,707	18,167,008	5,221,301	71%	3,729,501	140%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

District Health Department (component unit)

District Health Department Retirement Plan - The District Health Department offers its employees either benefit C-2 or B-4 with six and ten year vesting. Under benefit C-2 employees shall receive 2.0% of their five year final average compensation which is payable until attainment of the age at which unreduced Social Security benefits are available at which time the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1. Also under benefit C-2, employees have a contribution of

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

between 3% - 5% of annual compensation. Under benefit B-4 employees shall receive 2.5% of their highest five years final average compensation, with a maximum benefit of 80% of the final average compensation. The most recent actuarial report gives the details of the plan and a copy is on file in the accounting department at the District Health Department.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal cost actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 298,558
Terminated employees not yet receiving benefits	595,968
Non-vested terminated employees (pending refunds of accumulated member contributions)	22,881
Current Employees:	
Accumulated employee contributions including allocated investment income	286,506
Employer financed	2,541,859
Total actuarial accrued liability	3,745,772
Net assets available for benefits, at actuarial value (market value is \$3,991,053)	4,370,846
Unfunded (overfunded) actuarial accrued liability	\$ (625,074)

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 129,636
Amortization factor used - overfunded liabilities (30 years)	0.053632
Amortization factor used - overfunded liabilities (10 years)	0.119963

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K – RETIREMENT PLANS (continued)

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 67,507	100%	\$ -
2002	90,875	100%	-
2003	115,175	100%	-

The District Health Department made contributions of \$131,069 for the year ended September 30, 2004.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 3,717,654	\$ 2,646,940	\$ (1,070,714)	140%	-	0%
2002	3,946,001	3,287,251	(658,750)	120%	-	0%
2003	4,370,846	3,745,772	(625,074)	117%	-	0%

The Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission (component unit)

Road Commission Retirement Plan - The Delta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries.

COUNTY OF DELTA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

Actuarial Accrued Liability - All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 1,512,600
Terminated employees not yet receiving benefits	143,842
Current Employees:	
Accumulated employee contributions including allocated investment income	-
Employer financed	<u>4,149,868</u>
Total actuarial accrued liability	5,806,310
Net assets available for benefits, at actuarial value (market value is \$1,776,539)	<u>2,601,444</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 3,204,866</u></u>

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 280,320
Amortization factor used - underfunded liabilities (32 years)	0.052621
Amortization factor used - overfunded liabilities (10 years)	0.119963

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

<u>Annual Pension Cost</u> Year Ended September 30,	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contribution</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2001	\$ 241,738	100%	\$ -
2002	269,407	100%	-
2003	281,915	100%	-

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K - RETIREMENT PLANS (continued)

The Road Commission was required to contribute \$338,142 for the year ended September 30, 2004. Payments were based on contributions calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	1,962,783	4,993,963	3,031,180	39%	1,450,325	209%
2002	2,235,693	5,413,835	3,178,142	41%	1,520,642	209%
2003	2,601,444	5,806,310	3,204,866	45%	1,546,860	207%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

NOTE L - AIRPORT HANGAR

A hangar was constructed at the Delta County Airport and is being jointly financed by Delta County, the cities of Escanaba and Gladstone, and the Escanaba Foundation. The hangar financing is in the form of a lease, with the County assuming ownership of the facility upon completion of the terms of the lease. The lease arrangements for the hangar specify a month-to-month lease with lease payments commencing the second year of the lease in the sum of \$1,761.99 per month plus \$.10 per square foot per annum rental for the land. The County receives the rental payments from the lessee and divides the proceeds with 44 percent to the County and 28 percent to each of the cities.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE M - FUND EQUITY DESIGNATIONS

- A. Fund equity has been designated in the General Fund for future payments to the retirement system in the amount of \$91,446.
- B. Fund equity has been designated in the County Road Patrol Fund for accrued sick and vacation time in the amount of \$147,539.
- C. Fund equity has been designated in the Donations Fund for donations made for the Animal Shelter in the amount of \$7,203 and the Sheriff's Department for \$53,886.

D. Fund equity has been designated in the Capital Outlay Fund as follows:

Emergency equipment	\$ 56,013
Sheriff grant vehicle	9,000
Courthouse computer	215,247
Probate court recorder	3,600
BOC recorder maintenance	1,902
Telephone maintenance	74,162
Capital projects	24,080
Prosecutor computer system	8,985
Sheriff computer grant	258
Capital outlay	123,845
Equipment repair	108,107
Jail construction project	30,686
Renaissance zone	17,947
Airport terminal project	(14,200)
Michigan Works building	(3,793)
Training	<u>10,000</u>
Total	<u><u>\$ 665,839</u></u>

- E. Fund equity has been designated in the Service Center Construction Fund in the amount of \$25,071 for excess bond proceeds from the Building Authority Courthouse Renovation Project.

NOTE N - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE O - RISK MANAGEMENT

The County of Delta participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At September 30, 2004, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE P - TRANSIT AUTHORITY

The Delta Area Transit Authority was established during the Fall of 1989. Funding was secured through the Michigan Department of Transportation to operate the Authority. The County is the pass-through governmental agency for the monies flowing from the State of Michigan to the Authority.

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current countywide site, owned by the City of Gladstone, was approaching saturation.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members from the cities shall be selected by and from a body composed of two representatives from each such city; and a member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The landfill is constructed on land owned by the City of Escanaba and leased, through the County, to the Authority. Landfill construction costs were financed through the issuance of \$1,490,000 of revenue bonds by the County of Delta. The bonds were due in varying annual amounts through June 1, 1991. The County of Delta made its first annual payment of \$210,000 on May 1, 1985 with payments required through May 1, 1989. These payments were recorded as expenditures in the General Fund. The County does not capitalize its interest in the landfill in the General Fixed Assets Account Group as the County has no legal title to any assets of the landfill.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority.

Local Governmental Unit	Percentage Share
Delta County	51.80%
City of Escanaba	18.60%
City of Gladstone	5.90%
Local Townships	23.70%
	100.00%

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the other local units. The landfill began operation in December 1985. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative offices located at 5701 19th Avenue North, Escanaba, MI 49829.

COUNTY OF DELTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)

During the year ended September 30, 1999, the Delta Solid Waste Management Authority issued bonds in the amount of \$4,275,000 for the purpose of acquiring and constructing certain improvements at the existing landfill. The County is secondary liable for the bonds and has pledged its limited tax full faith and credit for the payment of its contractual payments, and the County is obligated to pay such amounts from its general funds, including collections of ad valorem taxes on all taxable property within its boundaries, subject to applicable statutory and constitutional tax rate limitations. The estimated total current cost of the landfill closure and postclosure care is \$4,570,000 and is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2003. The County has signed an open letter of credit for the landfill postclosure costs.

REQUIRED SUPPLEMENTAL INFORMATION

**COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 4,756,863	\$ 4,817,860	\$ 4,721,189	\$ (96,671)
License and permits	2,400	5,893	5,893	-
Federal sources	467,369	490,369	659,938	169,569
State sources	1,471,308	1,475,820	1,665,016	189,196
Charges for services	1,019,457	1,369,125	1,303,525	(65,600)
Interest and rentals	184,224	188,075	161,894	(26,181)
Other	273,135	321,856	147,097	(174,759)
Total revenues	<u>8,174,756</u>	<u>8,668,998</u>	<u>8,664,552</u>	<u>(4,446)</u>
EXPENDITURES:				
Legislative:				
Board of commissioners	141,145	148,260	145,254	3,006
Judicial system:				
Circuit court	325,162	338,427	338,084	343
District court	637,974	642,181	625,730	16,451
Friend of court	662,408	675,720	581,654	94,066
Jury commission	13,300	13,300	6,393	6,907
Probate court	339,838	358,455	359,304	(849)
Probate court juvenile	126,277	113,080	109,677	3,403
Prosecuting attorney	380,298	373,864	367,660	6,204
General government:				
Elections	77,104	68,424	64,503	3,921
Clerk	144,403	147,443	145,436	2,007
Administration	169,378	170,778	132,478	38,300
Equalization	224,739	217,919	215,074	2,845
Register of deeds	58,297	69,607	69,868	(261)
Treasurer	182,009	182,494	184,452	(1,958)
Building maintenance	233,375	234,430	190,225	44,205
Drain commissioner	8,575	8,645	8,584	61
Plat board	240	240	120	120
Record copying	12,100	12,150	11,784	366
Longevity, employee relief and per diem	89,611	85,411	80,386	5,025
Health insurance and other benefits	67,072	98,472	68,193	30,279
Insurance and bonds	181,956	187,456	183,717	3,739
Professional fees	79,000	82,500	67,743	14,757
Equipment repair and equipment	18,165	19,202	6,272	12,930
Labor relations	10,000	10,000	8,091	1,909
Miscellaneous	20,250	40,450	9,171	31,279
Public safety:				
Animal shelter	121,374	121,709	120,619	1,090
Sheriff administration	234,430	250,805	249,795	1,010
Sheriff marine	28,687	26,692	20,497	6,195
Sheriff corrections	1,023,847	1,166,757	1,167,069	(312)
Sheriff inmate work detail	-	15,618	15,917	(299)
Health and welfare:				
Medical examiner	25,800	29,105	24,066	5,039
Soldier burial	7,500	7,500	6,300	1,200
Veterans affair	11,389	12,589	12,562	27
Other	2,400	3,900	500	3,400
Recreation and culture:				
Extension service	135,747	132,136	126,307	5,829
Other - appropriations	691,558	770,640	889,422	(118,782)
Total expenditures	<u>6,485,408</u>	<u>6,836,359</u>	<u>6,612,907</u>	<u>223,452</u>
Excess revenues (expenditures)	<u>1,689,348</u>	<u>1,832,639</u>	<u>2,051,645</u>	<u>219,006</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	75,834	75,834
Transfer out	(1,682,945)	(1,826,235)	(1,858,898)	(32,663)
Total other financing sources (uses)	<u>(1,682,945)</u>	<u>(1,826,235)</u>	<u>(1,783,064)</u>	<u>43,171</u>
Net changes in fund balances	6,403	6,404	268,581	262,177
Fund balances - beginning	2,314,421	2,314,421	2,314,421	-
Fund balances - ending	<u>\$ 2,320,824</u>	<u>\$ 2,320,825</u>	<u>\$ 2,583,002</u>	<u>\$ 262,177</u>

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ROAD PATROL
For the Year Ended September 30, 2004

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ 782,946	\$ 785,446	\$ 785,391	\$ (55)
Federal sources	49,836	117,017	74,253	(42,764)
State sources	132,919	169,089	123,576	(45,513)
Local sources	30,100	71,210	44,012	(27,198)
Charges for services	12,500	13,350	13,339	(11)
Other	22,500	22,500	4,200	(18,300)
Total revenues	<u>1,030,801</u>	<u>1,178,612</u>	<u>1,044,771</u>	<u>(133,841)</u>
EXPENDITURES:				
Public safety	980,897	1,067,758	964,236	103,522
Capital outlay	53,180	91,630	87,220	4,410
Total expenditures	<u>1,034,077</u>	<u>1,159,388</u>	<u>1,051,456</u>	<u>107,932</u>
Excess revenues (expenditures)	<u>(3,276)</u>	<u>19,224</u>	<u>(6,685)</u>	<u>107,932</u>
OTHER FINANCING SOURCES (USES):				
Transfer out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net changes in fund balances	(8,276)	14,224	(11,685)	107,932
Fund balances - beginning	<u>472,324</u>	<u>472,324</u>	<u>472,324</u>	<u>-</u>
Fund balances - ending	<u>\$ 464,048</u>	<u>\$ 486,548</u>	<u>\$ 460,639</u>	<u>\$ 107,932</u>

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RENAISSANCE ZONE
For the Year Ended September 30, 2004

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Other	\$ -	\$ 480	\$ 480	\$ -
EXPENDITURES:				
Capital outlay	-	82,105	652,718	(570,613)
Excess revenues (expenditures)	-	(81,625)	(652,238)	(570,613)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	50,000	50,000	-
Net changes in fund balances	-	(31,625)	(602,238)	(570,613)
Fund balances - beginning	-	13,385	13,385	-
Fund balances - ending	\$ -	\$ (18,240)	\$ (588,853)	\$ (570,613)

COMBINING FUND FINANCIAL STATEMENTS

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004**

	Special Revenue Funds			
	County Parks	Jail/Out of County Prisoner	Friend of Court	Circuit Court Counseling
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 17,152	\$ 121,457	\$ 191,727	\$ 72,201
Receivables:				
Accounts	-	-	-	-
Due from State of Michigan	-	-	-	-
	<u>\$ 17,152</u>	<u>\$ 121,457</u>	<u>\$ 191,727</u>	<u>\$ 72,201</u>
	<u>\$ 17,152</u>	<u>\$ 121,457</u>	<u>\$ 191,727</u>	<u>\$ 72,201</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,194	\$ -	\$ -	\$ -
Due to other funds	14,181	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	-	-	-
	<u>15,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	1,777	121,457	191,727	72,201
	<u>1,777</u>	<u>121,457</u>	<u>191,727</u>	<u>72,201</u>
	<u>1,777</u>	<u>121,457</u>	<u>191,727</u>	<u>72,201</u>
Total liabilities and fund balances	<u>\$ 17,152</u>	<u>\$ 121,457</u>	<u>\$ 191,727</u>	<u>\$ 72,201</u>
	<u>\$ 17,152</u>	<u>\$ 121,457</u>	<u>\$ 191,727</u>	<u>\$ 72,201</u>

See accompanying notes to financial statements.

Special Revenue Funds

Community Action	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey	R.O.D. Automation
\$ 1,320	\$ 48,019	\$ 61,089	\$ 7,173	\$ 24,783	\$ 103,513	\$ 76,972
-	-	-	-	-	-	-
-	-	-	-	3,307	-	-
<u>\$ 1,320</u>	<u>\$ 48,019</u>	<u>\$ 61,089</u>	<u>\$ 7,173</u>	<u>\$ 28,090</u>	<u>\$ 103,513</u>	<u>\$ 76,972</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,655	\$ 13,320
-	-	-	-	-	-	-
-	-	-	4,297	1,496	-	-
-	-	-	4,297	1,496	24,655	13,320
-	-	61,089	-	-	-	-
1,320	48,019	-	2,876	26,594	78,858	63,652
1,320	48,019	61,089	2,876	26,594	78,858	63,652
<u>\$ 1,320</u>	<u>\$ 48,019</u>	<u>\$ 61,089</u>	<u>\$ 7,173</u>	<u>\$ 28,090</u>	<u>\$ 103,513</u>	<u>\$ 76,972</u>

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004**

	Special Revenue Funds			
	Law Library	CDBG Housing	Training	DNA Fund
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 1,368	\$ -	\$ 22,610	\$ 1,559
Receivables:				
Accounts	-	-	-	-
Due from State of Michigan	-	-	-	-
	-	-	-	-
Total assets	\$ 1,368	\$ -	\$ 22,610	\$ 1,559
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	-	-	-
	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	1,368	-	22,610	1,559
	1,368	-	22,610	1,559
Total fund balances	1,368	-	22,610	1,559
Total liabilities and fund balances	\$ 1,368	\$ -	\$ 22,610	\$ 1,559

See accompanying notes to financial statements.

Special Revenue Funds

Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay	Summer Tax Collection
\$ 7,278	\$ 798	\$ 5,801	\$ 9,991	\$ 407,635	\$ 672,239	\$ 15,168
-	-	13,657	-	10,202	-	-
-	-	-	1,298	-	-	-
<u>\$ 7,278</u>	<u>\$ 798</u>	<u>\$ 19,458</u>	<u>\$ 11,289</u>	<u>\$ 417,837</u>	<u>\$ 672,239</u>	<u>\$ 15,168</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,400	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	10,785
-	-	3,726	1,478	4,732	-	-
-	-	3,726	1,478	4,732	6,400	10,785
-	-	-	-	-	665,839	-
7,278	798	15,732	9,811	413,105	-	4,383
7,278	798	15,732	9,811	413,105	665,839	4,383
<u>\$ 7,278</u>	<u>\$ 798</u>	<u>\$ 19,458</u>	<u>\$ 11,289</u>	<u>\$ 417,837</u>	<u>\$ 672,239</u>	<u>\$ 15,168</u>

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2004**

	<u>Special Revenue</u>	<u>Debt Service Funds</u>		
	<u>Library Penal Fines</u>	<u>Courthouse Renovation</u>	<u>Service Center Debt</u>	<u>Pinecrest Debt</u>
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 50,388	\$ 17,084	\$ 31,064	\$ 1,981
Receivables:				
Accounts	-	-	-	-
Due from State of Michigan	-	-	-	-
Total assets	<u>\$ 50,388</u>	<u>\$ 17,084</u>	<u>\$ 31,064</u>	<u>\$ 1,981</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	<u>50,388</u>	<u>17,084</u>	<u>31,064</u>	<u>1,981</u>
Total fund balances	<u>50,388</u>	<u>17,084</u>	<u>31,064</u>	<u>1,981</u>
Total liabilities and fund balances	<u>\$ 50,388</u>	<u>\$ 17,084</u>	<u>\$ 31,064</u>	<u>\$ 1,981</u>

See accompanying notes to financial statements.

Capital Project Funds

<u>Service Center Construction</u>	<u>PFC Airport Improvement</u>	<u>Airport Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 121,159	\$ 98,380	\$ 31,956	\$ 2,221,865
-	-	-	23,859
-	-	-	4,605
<u>\$ 121,159</u>	<u>\$ 98,380</u>	<u>\$ 31,956</u>	<u>\$ 2,250,329</u>
-	-	-	45,569
-	-	-	14,181
-	-	-	10,785
-	-	-	15,729
-	-	-	86,264
25,071	-	-	751,999
<u>96,088</u>	<u>98,380</u>	<u>31,956</u>	<u>1,412,066</u>
<u>121,159</u>	<u>98,380</u>	<u>31,956</u>	<u>2,164,065</u>
<u>\$ 121,159</u>	<u>\$ 98,380</u>	<u>\$ 31,956</u>	<u>\$ 2,250,329</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	County Parks	Jail/Out of County Prisoner	Friend of Court	Circuit Court Counseling
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	3,045
Federal sources	-	-	-	-
State sources	-	-	4,690	-
Local sources	-	-	96	-
Charges for services	68,165	-	-	-
Interest and rentals	-	-	-	-
Other	12,599	-	-	-
Total revenues	80,764	-	4,786	3,045
EXPENDITURES:				
Judicial system	-	-	6,000	491
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	111,262	-	-	-
Capital outlay	16	9,233	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	111,278	9,233	6,000	491
Excess revenues (expenditures)	(30,514)	(9,233)	(1,214)	2,554
OTHER FINANCING SOURCES (USES):				
Transfer in	30,000	141,000	-	-
Transfer out	-	(75,834)	-	-
Total other financing sources (uses)	30,000	65,166	-	-
Net changes in fund balance	(514)	55,933	(1,214)	2,554
Fund balances - beginning	2,291	65,524	192,941	69,647
Fund balances - ending	<u>\$ 1,777</u>	<u>\$ 121,457</u>	<u>\$ 191,727</u>	<u>\$ 72,201</u>

See accompanying notes to financial statements.

Special Revenue Funds

Community Action	Hannahville Funding	Donations	Building and Zoning	Drug Enforcement	County Survey	R.O.D. Automation
\$ 490,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	22,500	-	-
-	-	-	-	2,834	55,019	-
-	2,000	-	-	25,000	19,983	-
-	-	-	222,710	-	-	54,415
-	-	-	-	-	-	-
-	-	60,895	15,939	-	-	-
<u>490,022</u>	<u>2,000</u>	<u>60,895</u>	<u>238,649</u>	<u>50,334</u>	<u>75,002</u>	<u>54,415</u>
-	-	-	-	-	-	-
-	-	-	266,983	-	78,135	26,885
-	-	37,149	-	54,252	-	-
490,232	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,000	-	-	-	-	-
<u>490,232</u>	<u>2,000</u>	<u>37,149</u>	<u>266,983</u>	<u>54,252</u>	<u>78,135</u>	<u>26,885</u>
(210)	-	23,746	(28,334)	(3,918)	(3,133)	27,530
-	-	-	10,000	5,000	-	-
-	-	-	-	-	-	-
-	-	-	10,000	5,000	-	-
(210)	-	23,746	(18,334)	1,082	(3,133)	27,530
1,530	48,019	37,343	21,210	25,512	81,991	36,122
<u>\$ 1,320</u>	<u>\$ 48,019</u>	<u>\$ 61,089</u>	<u>\$ 2,876</u>	<u>\$ 26,594</u>	<u>\$ 78,858</u>	<u>\$ 63,652</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	Special Revenue Funds			
	Law Library	CDBG Housing	Training	DNA Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	116,303	-	-
State sources	-	-	-	-
Local sources	-	-	6,763	-
Charges for services	-	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenues	-	116,303	6,763	-
EXPENDITURES:				
Judicial system	20,942	-	-	-
General government	-	-	-	-
Public safety	-	-	12	-
Health and welfare	-	116,303	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	20,942	116,303	12	-
Excess revenues (expenditures)	(20,942)	-	6,751	-
OTHER FINANCING SOURCES (USES):				
Transfer in	20,000	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	20,000	-	-	-
Net changes in fund balance	(942)	-	6,751	-
Fund balances - beginning	2,310	-	15,859	1,559
Fund balances - ending	<u>\$ 1,368</u>	<u>\$ -</u>	<u>\$ 22,610</u>	<u>\$ 1,559</u>

See accompanying notes to financial statements.

Special Revenue Funds

Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay	Summer Tax Collection
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	85,223	15,518	-	-	-
-	-	-	-	49,376	-	3,015
-	-	-	-	-	-	-
-	-	-	-	37,765	-	1,525
-	-	-	-	-	-	-
-	-	-	-	-	3,180	-
-	-	85,223	15,518	87,141	3,180	4,540
-	-	-	-	-	-	-
-	-	-	-	-	-	1,544
-	-	-	44,457	-	-	-
-	2,375	166,688	-	301,914	-	-
-	-	-	-	-	-	-
-	-	-	-	-	43,581	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,375	166,688	44,457	301,914	43,581	1,544
-	(2,375)	(81,465)	(28,939)	(214,773)	(40,401)	2,996
350	-	90,000	50,000	528,225	42,000	-
-	-	-	-	(140,000)	(21,000)	-
350	-	90,000	50,000	388,225	21,000	-
350	(2,375)	8,535	21,061	173,452	(19,401)	2,996
6,928	3,173	7,197	(11,250)	239,653	685,240	1,387
\$ 7,278	\$ 798	\$ 15,732	\$ 9,811	\$ 413,105	\$ 665,839	\$ 4,383

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2004

	<u>Special Revenue</u>	<u>Debt Service Funds</u>		
	<u>Library Penal Fines</u>	<u>Courthouse Renovation</u>	<u>Service Center Debt</u>	<u>Pinecrest Debt</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 115
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Interest and rentals	-	-	-	15
Charges for services	-	-	-	-
Other	207,190	-	-	-
	<u>207,190</u>	<u>-</u>	<u>-</u>	<u>130</u>
Total revenues	207,190	-	-	130
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	211,951	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	170,000	115,000	-
Interest	-	181,000	73,918	-
Other	-	-	400	-
	<u>211,951</u>	<u>351,000</u>	<u>189,318</u>	<u>-</u>
Total expenditures	211,951	351,000	189,318	-
Excess revenues (expenditures)	<u>(4,761)</u>	<u>(351,000)</u>	<u>(189,318)</u>	<u>130</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	-	351,000	189,318	-
Transfer out	(4,500)	-	-	-
	<u>(4,500)</u>	<u>351,000</u>	<u>189,318</u>	<u>-</u>
Total other financing sources (uses)	(4,500)	351,000	189,318	-
Net changes in fund balance	(9,261)	-	-	130
Fund balances - beginning	59,649	17,084	31,064	1,851
Fund balances - ending	<u>\$ 50,388</u>	<u>\$ 17,084</u>	<u>\$ 31,064</u>	<u>\$ 1,981</u>

See accompanying notes to financial statements.

Capital Project Funds

Service Center Construction	PFC Airport Improvement	Airport Improvement	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 490,137
-	-	-	3,045
-	-	-	239,544
-	-	-	114,934
-	-	-	53,842
2,400	-	-	386,995
-	31,228	-	31,228
-	-	-	299,803
<u>2,400</u>	<u>31,228</u>	<u>-</u>	<u>1,619,528</u>
-	-	-	27,433
-	-	-	373,547
-	-	-	135,870
-	-	-	1,077,512
-	-	-	323,213
-	-	45,201	98,031
-	-	-	285,000
-	-	-	254,918
-	-	-	2,400
<u>-</u>	<u>-</u>	<u>45,201</u>	<u>2,577,924</u>
<u>2,400</u>	<u>31,228</u>	<u>(45,201)</u>	<u>(958,396)</u>
-	67,152	-	1,524,045
-	-	(67,152)	(308,486)
<u>-</u>	<u>67,152</u>	<u>(67,152)</u>	<u>1,215,559</u>
2,400	98,380	(112,353)	257,163
<u>118,759</u>	<u>-</u>	<u>144,309</u>	<u>1,906,902</u>
<u>\$ 121,159</u>	<u>\$ 98,380</u>	<u>\$ 31,956</u>	<u>\$ 2,164,065</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
September 30, 2004

	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1997</u>	<u>Tax Revolving 1998</u>
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 7,463	\$ 27,726	\$ -	\$ 515,421
Investments	-	-	-	300,900
Receivables:				
Current taxes	-	-	-	-
Interest	-	-	-	-
Total current assets	<u>7,463</u>	<u>27,726</u>	<u>-</u>	<u>816,321</u>
Noncurrent assets:				
Delinquent taxes	<u>-</u>	<u>-</u>	<u>4</u>	<u>18</u>
Total assets	<u>\$ 7,463</u>	<u>\$ 27,726</u>	<u>\$ 4</u>	<u>\$ 816,339</u>
LIABILITIES				
Current liabilities	<u>\$ -</u>	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS				
Unrestricted	<u>7,463</u>	<u>27,494</u>	<u>4</u>	<u>816,339</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,463</u>	<u>\$ 27,726</u>	<u>\$ 4</u>	<u>\$ 816,339</u>

See accompanying notes to financial statements.

<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 250,600	\$ 253,960	\$ 52,410	\$ 1,107,580
-	-	-	-	300,900
-	-	7,440	179,963	187,403
-	787	4,227	56,988	62,002
<u>-</u>	<u>251,387</u>	<u>265,627</u>	<u>289,361</u>	<u>1,657,885</u>
<u>4</u>	<u>1,154</u>	<u>3,832</u>	<u>19,996</u>	<u>25,008</u>
<u>\$ 4</u>	<u>\$ 252,541</u>	<u>\$ 269,459</u>	<u>\$ 309,357</u>	<u>\$ 1,682,893</u>
\$ -	\$ -	\$ -	\$ -	\$ 232
<u>4</u>	<u>252,541</u>	<u>269,459</u>	<u>309,357</u>	<u>1,682,661</u>
<u>\$ 4</u>	<u>\$ 252,541</u>	<u>\$ 269,459</u>	<u>\$ 309,357</u>	<u>\$ 1,682,893</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 1997</u>	<u>Tax Revolving 1998</u>
OPERATING REVENUES:				
Charges for services	\$ 15,000	\$ -	\$ -	\$ 176
Rental and interest income	-	-	-	17,675
Miscellaneous	-	-	-	100
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>17,951</u>
OPERATING EXPENSES:				
Salaries and fringes	-	3,839	-	-
Supplies	7,783	-	-	-
Contracted services	-	-	-	-
Travel	-	1,029	-	-
Recording fees	-	-	-	-
Miscellaneous	-	-	-	-
	<u>7,783</u>	<u>4,868</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>7,783</u>	<u>4,868</u>	<u>-</u>	<u>-</u>
Operating income (loss)	<u>7,217</u>	<u>(4,868)</u>	<u>-</u>	<u>17,951</u>
NONOPERATING REVENUES (EXPENSES):				
Transfer in	-	7,625	-	-
Transfer out	-	-	(1,829)	(441)
	<u>-</u>	<u>7,625</u>	<u>(1,829)</u>	<u>(441)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>7,625</u>	<u>(1,829)</u>	<u>(441)</u>
Change in net assets	7,217	2,757	(1,829)	17,510
Total net assets - beginning	<u>246</u>	<u>24,737</u>	<u>1,833</u>	<u>798,829</u>
Total net assets - ending	<u>\$ 7,463</u>	<u>\$ 27,494</u>	<u>\$ 4</u>	<u>\$ 816,339</u>

See accompanying notes to financial statements.

<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 536	\$ 8,604	\$ 40,532	\$ 64,848
-	3,704	12,301	92,062	125,742
-	306	1,463	2,295	4,164
-	4,546	22,368	134,889	194,754
-	-	-	-	3,839
-	-	-	3,106	10,889
-	-	-	694	694
-	-	-	-	1,029
-	-	1,000	3,080	4,080
-	61	-	-	61
-	61	1,000	6,880	20,592
-	4,485	21,368	128,009	174,162
-	-	-	-	7,625
(4,602)	(1,460)	(423,217)	(1,635,414)	(2,066,963)
(4,602)	(1,460)	(423,217)	(1,635,414)	(2,059,338)
(4,602)	3,025	(401,849)	(1,507,405)	(1,885,176)
4,606	249,516	671,308	1,816,762	3,567,837
<u>\$ 4</u>	<u>\$ 252,541</u>	<u>\$ 269,459</u>	<u>\$ 309,357</u>	<u>\$ 1,682,661</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended September 30, 2004

	Jail Commissary	Tax Revolving Administration	Tax Revolving 1997	Tax Revolving 1998
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 15,000	\$ -	\$ -	\$ -
Receipts from interest and rents	-	-	-	17,675
Cash received for collection of taxes	-	-	1,829	4,988
Payments to suppliers	(7,783)	(1,029)	-	-
Payments for wages and related benefits	-	(3,607)	-	-
Net cash provided (used) by operating activities	<u>7,217</u>	<u>(4,636)</u>	<u>1,829</u>	<u>22,663</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	-	7,625	-	-
Transfer out	-	-	(1,829)	(441)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>7,625</u>	<u>(1,829)</u>	<u>(441)</u>
Net increase (decrease) in cash and equivalents	7,217	2,989	-	22,222
Cash and equivalents, beginning of year	<u>246</u>	<u>24,737</u>	<u>-</u>	<u>794,099</u>
Cash and equivalents, end of year	<u>\$ 7,463</u>	<u>\$ 27,726</u>	<u>\$ -</u>	<u>\$ 816,321</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 7,217	\$ (4,868)	\$ -	\$ 17,951
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	1,829	4,712
Increase (decrease) in accounts payable	-	232	-	-
Total adjustments	<u>-</u>	<u>232</u>	<u>1,829</u>	<u>4,712</u>
Net cash provided by operating activities	<u>\$ 7,217</u>	<u>\$ (4,636)</u>	<u>\$ 1,829</u>	<u>\$ 22,663</u>

See accompanying notes to financial statements.

<u>Tax Revolving 1999</u>	<u>Tax Revolving 2000</u>	<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 842	\$ 10,067	\$ 42,827	\$ 68,736
-	6,152	61,709	97,075	182,611
4,602	5,803	176,922	685,763	879,907
-	(61)	(1,000)	(6,880)	(16,753)
-	-	-	-	(3,607)
<u>4,602</u>	<u>12,736</u>	<u>247,698</u>	<u>818,785</u>	<u>1,110,894</u>
-	-	-	-	7,625
<u>(4,602)</u>	<u>(1,460)</u>	<u>(423,217)</u>	<u>(1,635,414)</u>	<u>(2,066,963)</u>
<u>(4,602)</u>	<u>(1,460)</u>	<u>(423,217)</u>	<u>(1,635,414)</u>	<u>(2,059,338)</u>
-	11,276	(175,519)	(816,629)	(948,444)
-	239,324	429,479	869,039	2,356,924
<u>\$ -</u>	<u>\$ 250,600</u>	<u>\$ 253,960</u>	<u>\$ 52,410</u>	<u>\$ 1,408,480</u>
\$ -	\$ 4,485	\$ 21,368	\$ 128,009	\$ 174,162
4,602	8,251	226,330	690,776	936,500
-	-	-	-	232
<u>4,602</u>	<u>8,251</u>	<u>226,330</u>	<u>690,776</u>	<u>936,732</u>
<u>\$ 4,602</u>	<u>\$ 12,736</u>	<u>\$ 247,698</u>	<u>\$ 818,785</u>	<u>\$ 1,110,894</u>

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2004

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 145,981	\$ 2,201,865	\$ 689,825	\$ 3,037,671
Investments	-	1,813,475	-	1,813,475
Notes receivable	-	389,058	-	389,058
Due from other funds	-	752,893	-	752,893
Total assets	\$ 145,981	\$ 5,157,291	\$ 689,825	\$ 5,993,097
LIABILITIES				
Current liabilities:				
Accrued payroll	\$ -	\$ -	\$ 7,951	\$ 7,951
Due to other funds	31,078	-	-	31,078
Total liabilities	31,078	-	7,951	39,029
NET ASSETS				
Unrestricted	114,903	5,157,291	681,874	5,954,068
TOTAL LIABILITIES AND NET ASSETS	\$ 145,981	\$ 5,157,291	\$ 689,825	\$ 5,993,097

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2004

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
OPERATING REVENUES:				
Rental and interest income	\$ -	\$ 13,000	\$ 680,334	\$ 693,334
Miscellaneous	-	63,556	130	63,686
Total operating revenue	-	76,556	680,464	757,020
OPERATING EXPENSES:				
Salaries and fringes	719	-	356,841	357,560
Supplies	-	-	53,726	53,726
Contracted services	-	-	9,163	9,163
Repairs and maintenance	-	-	21,386	21,386
Utilities	-	-	45,772	45,772
Total operating expenses	719	-	486,888	487,607
Operating income (loss)	(719)	76,556	193,576	269,413
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	32,726	-	32,726
Income (loss) before transfers and contributions	(719)	109,282	193,576	302,139
Transfer in	15,000	2,059,711	-	2,074,711
Transfer out	-	(1,505,373)	(189,318)	(1,694,691)
Change in net assets	14,281	663,620	4,258	682,159
Total net assets - beginning	100,622	4,493,671	677,616	5,271,909
Total net assets - ending	\$ 114,903	\$ 5,157,291	\$ 681,874	\$ 5,954,068

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2004

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interest and rents	\$ -	\$ 169,769	\$ 680,464	\$ 850,233
Payments to suppliers	-	-	(130,047)	(130,047)
Payments for wages and related benefits	(719)	-	(354,120)	(354,839)
Net cash provided (used) by operating activities	(719)	169,769	196,297	365,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer in	15,000	2,059,711	-	2,074,711
Transfer out	-	(1,505,373)	(189,318)	(1,694,691)
Net cash provided (used) by noncapital financing activities	15,000	554,338	(189,318)	380,020
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest earnings	-	32,726	-	32,726
Net increase (decrease) in cash and equivalents	14,281	756,833	6,979	778,093
Cash and equivalents, beginning of year	131,700	3,258,507	682,846	4,073,053
Cash and equivalents, end of year	<u>\$ 145,981</u>	<u>\$ 4,015,340</u>	<u>\$ 689,825</u>	<u>\$ 4,851,146</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (719)	\$ 76,556	\$ 193,576	\$ 269,413
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	80,330	-	80,330
(Increase) decrease in due from other funds	-	12,883	-	12,883
Increase (decrease) in accrued payroll	-	-	2,721	2,721
Total adjustments	-	93,213	2,721	95,934
Net cash provided by operating activities	<u>\$ (719)</u>	<u>\$ 169,769</u>	<u>\$ 196,297</u>	<u>\$ 365,347</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2004

	General Trust and Agency	Crime Victim Restitution	Friend of Court Trust	District Court Trust
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 3,095,466	\$ 4,286	\$ 2,557	\$ 34,882
Due from other funds	14,181	-	-	-
Total assets	<u>3,109,647</u>	<u>4,286</u>	<u>2,557</u>	<u>34,882</u>
LIABILITIES				
Due to other funds	14,994	-	-	-
Due to other units governmental units	95,122	-	-	-
Undistributed taxes	2,341,999	-	-	-
Other liabilities	657,532	4,286	2,557	34,882
Total liabilities	<u>\$ 3,109,647</u>	<u>\$ 4,286</u>	<u>\$ 2,557</u>	<u>\$ 34,882</u>

See accompanying notes to financial statements.

Sheriff Inmate Trust	Totals
\$ 6,441	\$ 3,143,632
-	14,181
6,441	3,157,813
-	14,994
-	95,122
-	2,341,999
6,441	705,698
\$ 6,441	\$ 3,157,813

**COUNTY OF DELTA, MICHIGAN
COMBINING BALANCE SHEET
COMPONENT UNITS
September 30, 2004**

	<u>District Health Department</u>	<u>Road Commission</u>	<u>Family Independence Agency</u>
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 979,860	\$ 1,139,717	\$ 222,174
Receivables:			
Accounts	127,498	58,213	33,742
Due from other governmental units	222,498	962,853	56,263
Inventory	-	489,342	-
Prepays	103,056	49,029	-
	<u>\$ 1,432,912</u>	<u>\$ 2,699,154</u>	<u>\$ 312,179</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 201,361	\$ 238,986	\$ -
Accrued payroll	110,348	55,875	-
Deferred revenue	57,960	411,455	33,742
	<u>369,669</u>	<u>706,316</u>	<u>33,742</u>
Fund balances:			
Reserved for prepaid expense	103,056	-	-
Unreserved:			
Designated	420,499	-	-
Undesignated	539,688	1,992,838	278,437
	<u>1,063,243</u>	<u>1,992,838</u>	<u>278,437</u>
Total liabilities and fund balances	<u>\$ 1,432,912</u>	<u>\$ 2,699,154</u>	<u>\$ 312,179</u>

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
COMPONENT UNITS
For the year ended September 30, 2004

	District Health Department	Road Commission	Family Independence Agency
REVENUES:			
License and permits	\$ -	\$ 16,025	\$ -
Federal sources	1,393,085	716,217	1,283
State sources	681,283	4,487,811	957,484
Local sources	102,528	769,397	-
Charges for services	786,057	1,395,224	-
Interest and rentals	1,892	8,965	-
Other	327,277	115,199	222,752
Total revenues	<u>3,292,122</u>	<u>7,508,838</u>	<u>1,181,519</u>
EXPENDITURES:			
Health and welfare	3,660,955	-	946,730
Public works	-	6,671,732	-
Capital outlay	77,351	-	-
Debt service	-	675,082	-
Total expenditures	<u>3,738,306</u>	<u>7,346,814</u>	<u>946,730</u>
Excess revenues (expenditures)	<u>(446,184)</u>	<u>162,024</u>	<u>234,789</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	516,823	-	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>516,823</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	70,639	162,024	234,789
Fund balances - beginning	<u>992,604</u>	<u>1,830,814</u>	<u>43,648</u>
Fund balances - ending	<u>\$ 1,063,243</u>	<u>\$ 1,992,838</u>	<u>\$ 278,437</u>

See accompanying notes to financial statements.

SINGLE AUDIT



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan, as of and for the year ended September 30, 2004, which collectively comprise the County of Delta, Michigan's basic financial statements and have issued our report thereon dated March 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Delta, Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County of Delta, Michigan, in a separate letter dated March 16, 2005.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in

Members of the Board of Commissioners
County of Delta

relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the County of Delta, Michigan, in a separate letter dated March 16, 2005.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 16, 2005



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

Compliance

We have audited the compliance of the County of Delta, Michigan with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. County of Delta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County of Delta, Michigan's management. Our responsibility is to express an opinion on County of Delta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Delta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

In our opinion, the County of Delta, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Members of the Board of Commissioners
County of Delta

Internal Control Over Compliance

The management of the County of Delta, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Delta, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 16, 2005

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2004

Federal grantor/pass-through/program title	Federal CFDA Number	Agency or pass-through number	Federal Expenditures
U.S. Department of Justice:			
Passed through the State of Michigan			
Department of Community Health:			
School Liaison Project	16.592	20040562	\$ 43,207
Byrne Memorial Formula Grant	16.579	70768-7-03-B	22,500
Passed through State of Michigan Family			
Independence Agency:			
Juvenile Accountability Incentive Grant	16.523	JABGN 04-21001	16,816
Passed through Michigan State Police:			
State Domestic Preparedness Grant	16.007	-	<u>46,399</u>
Total U.S. Department of Justice			<u>128,922</u>
U.S. Department of Health and Human Services:			
Passed through State of Michigan Family			
Independence Agency:			
Child Support Enforcement	93.563	CS/COM-04-21003	398,147
Friend of Court - Federal Incentives	93.563	-	85,587
TANF	93.558	DEL-03-21001	57,908
TANF - Community Partners	93.558	WRAP 01-55001-3	28,680
Promoting Safe and Stable Families	93.556	DEL-03-21001	26,017
Promoting Safe and Stable Families	93.556	-	1,283
Passed through the State of Michigan			
Department of Community Health:			
Childhood Immunization Grants	93.268	20040131	22,720
Childhood Immunization Grants	93.268	-	522,664
Maternal and Child Health Service Grant	93.994	20040131	136,327
Medical Assistance Program	93.778	20040131	178,933
Center for Disease Control Prevention			
Investigative Technical Assistance	93.283	2004131	346,616
BCCCP Coordination-Prevention	93.919	2004131	58,646
Preventive Health & Health Services			
Block Grant	93.991	2004131	47,465
Family Planning Services	93.217	2004131	86,607
Passed through Pathways:			
Substance Abuse Prevention	93.959	-	110,831
Substance Abuse Treatment	93.959	-	114,793
Women & Family Project	93.959	-	<u>15,000</u>
Total U.S. Department of Health and Human Services			<u>\$ 2,238,224</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2004

Federal grantor/pass-through/program title	Federal CFDA Number	Agency or pass-through number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2003-735-HOA	\$ 116,303
Federal Emergency Management Agency:			
Passed through State Emergency SLA Program:			
Emergency Management Performance Grant	83.552	-	17,990
Passed through Michigan State Police:			
Hazardous Mitigation Grant	83.548	HMPG 1346.802.16	16,609
Total Federal Emergency Management Agency			<u>34,599</u>
U.S. Department of Education:			
Passed through Michigan Department of Community Health:			
Drug-Free Schools and Local Prog	84.168B	-	<u>27,761</u>
U.S. Department of Agriculture:			
Passed through Michigan Department of Community Health:			
Special Supplemental Food Program for Women, Infants and Children	10.557	20040131	<u>198,072</u>
U.S. Environmental Protection Agency:			
Passed through State Department of Environmental Quality:			
Radon	66.032	-	1,800
Noncommunity Water (Type II)	66.471	-	4,000
Watershed Grant	66.460	-	<u>14,834</u>
Total U.S. Environmental Protection Agency			<u>20,634</u>
U.S. Department of Transportation:			
Passed through Michigan State Police:			
State and Community Highway Safety	20.600	-	<u>5,877</u>
U.S. Department of Homeland Security:			
Passed through Michigan State Police:			
Emergency Management Performance	97.042	-	13,360
Homeland Security Grant	97.004	-	<u>56,820</u>
Total U.S. Department of Homeland Security			<u>70,180</u>
U.S. Department of Commerce (direct funding):			
Public Works and Economic Development	11.300	06-01-04800	<u>666,012</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,506,584</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF DELTA, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2004

NOTE A – OVERSIGHT AGENCY

The U.S. Department of Commerce is the current year's oversight agency for single audit as determined by the agency providing the largest share of direct federal financial assistance.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

NOTE C – PASS-THROUGH GRANT MONIES

During 2004, the County acted as a pass-through agent, receiving \$116,303 in CDBG monies which was passed through to the Community Action Agency. The Community Action Agency was audited by other auditors.

NOTE D – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

NOTE E – FEDERAL REVENUE RECONCILIATION

Federal revenue per governmental fund financial statements	\$ 973,735
Federal expenditures per schedule of expenditures of federal award	<u>3,506,584</u>
Difference	<u>(2,532,849)</u>
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	1,393,085
Family Independence Agency	1,283
Federally funded vaccines received by the Health Department, but not recorded as revenue	522,664
Expenditures reported on the schedule of expenditures of federal awards which were not accrued as revenue due to modified accrual	640,986
Federal revenue received from the Transportation Security Administration per the governmental fund financial statements, but not on the schedule of expenditures of federal awards because it is considered a vendor relationship.	<u>(25,169)</u>
Reconciled difference	<u><u>\$ -</u></u>

COUNTY OF DELTA, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

COUNTY OF DELTA, MICHIGAN
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2004

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

COUNTY OF DELTA, MICHIGAN

REPORT TO MANAGEMENT

Year Ended September 30, 2004



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Delta, Michigan

We have audited the financial statements of the County of Delta, Michigan for the year ended September 30, 2004, and have issued our reports thereon dated March 16, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Delta, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Delta, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Delta, Michigan are described in Note A of the financial statements.

We noted no transactions entered into by the County of Delta, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Delta, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Delta, Michigan, for the year ended September 30, 2004, we considered the County of Delta, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 16, 2005, on the financial statements of the County of Delta, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Delta County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 16, 2005

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Sheriff Inmate Trust

Comment:

We noted that the inmate trust bank account could not be reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

The County Treasurer has taken over reconciling the sheriff inmate trust bank account with the inmate payable accounts but has been unable to get the reconciliation to work out.

Employee Time Sheet Approvals

Comment:

We noted an instance in which an employee's time sheet was not approved by a department head.

Recommendation:

Department heads should review and approve, as evidenced by their signature, all employee time sheets of their department to assure accuracy of the time reporting and to approve any overtime, vacation, or sick leave of their department employees.

Management Response:

All department heads were reminded of the required approval signatures and in the future any time sheets that are not signed will be returned to the department head.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Delinquent Taxes Receivable

Comment:

During our testing of delinquent taxes receivable we noted that the detail of the taxes receivable did not reconcile to the general ledger.

Recommendation:

Delinquent taxes detail should be reconciled to the general ledger on a monthly basis to assure the activity related to collection of delinquent taxes is accurately recorded.

Management Response:

The County Treasurer will be instructed to reconcile the delinquent taxes receivable to the general ledger monthly.

Year-End Accruals

Comment:

Accruals for revenues and expenditures are not being recorded at year-end.

Recommendation:

In order to accurately reflect the fiscal year activity, County personnel should make the appropriate accruals at the end of the fiscal year.

Management Response:

Year end accruals are handled annually in the past through the adjusting journal entries. This system has worked fine for years.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

General Trust and Agency

Comment:

By definition, an agency fund is used to report resources held by the reporting government in a purely custodial capacity. In prior years, the appropriations that were unexpended in certain fund line items of the General Fund were transferred to the General Trust and Agency. Consequently, a portion of the General Trust and Agency's cash balance consists of money that is not due to other agencies.

We also noted that certain grant monies the County receives in its name and passes through to other government agencies is recorded in the General Trust and Agency.

Recommendation:

We recommend cash that belongs to the County, which is recorded in the General Trust and Agency be transferred to the appropriate fund of the County. Also, grant monies received in the County's name should be reported in the General Fund.

Management Response:

General Trust and Agency is a fund within the general ledger and all activity in and out is recorded in it. We will attempt to set up Trust and Agency to report activity as recommended.

Journal Entries Without Support or Approval

Comment:

We noted journal entries made to the general ledger did not have supporting documentation, were missing an approval signature, or did not include an explanation indicating the purpose.

Recommendation:

An explanation and, when available, supporting documentation should be attached to each journal entry. All journal entries should be approved by a second individual who is independent of the journal entry and who has the knowledge and authority to authorize the journal entry.

Management Response:

Administration will review the recommendation and establish a procedure to have a second individual approve journal entries.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Commercial Forest Reserve Liability

Comment:

In 1996, the County issued a check in the amount of \$174,753.34 to the State of Michigan for the payment of the 1995 Commercial Forest Reserve distribution. This check was outstanding to the County for a couple of years and despite discussions with several State agencies, the County was unable to ascertain whether or not the check was accounted for. Consequently, the County stopped payment on the check in 1998, and recorded a liability for the same amount. This liability has remained on the books of the County since that time.

Recommendation:

We recommend the County thoroughly investigate whether or not this liability is, in fact due to the State. Once this determination is made, the County should either relieve the liability by reissuing a check to the State or writing it off.

Management Response:

These funds will be placed in the General Trust and Agency and held there until final disposition of these funds can be determined.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Probate Court Receipt System

Comment:

We noted during our testing a skip in the sequence of computer generated receipts. We were told this may have been the result of a receipt being entered and subsequently deleted. Upon reviewing the computer receipting system, it was noted that the computer assigns transaction numbers to all activities entered into the system, whether a receipt or a charge. Although this helps to explain skips in sequencing, it was discovered that no one in the department accounts for, or reconciles for the gaps in transaction numbers to ensure completeness of all receipting activities. We also noted the court issues manual receipts for some over the counter payments and these manual receipt books are not used in numerical sequence.

Recommendation:

If possible, the court should use their computerized receipt system for all receipt activity and review the system to ensure that receipts cannot be deleted once they are issued. If the system allows for receipts to be deleted and cannot be changed, all receipts that were deleted should be reviewed and approved by an appropriate court employee to strengthen internal controls over cash receipting. To ensure completeness of all receipts and to strengthen internal controls over cash receipting, a responsible person in the department should reconcile the transaction numbers assigned by the computer system to the actual receipts of the department at the time of preparing the transmittal to the Treasurer. If manual receipt books must be used, all receipt books should be sequential in numbering in order to account for all receipting activity.

Management Response:

Administration will discuss this issue with probate court.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Friend of Court Trust Bank Reconciliation

Comment:

As of the date of our auditor's report no bank reconciliation's have been performed since July 2003. This is due in part to the State of Michigan changing the computer system for the Friend of the Court.

Recommendation:

Bank reconciliation's should be completed monthly to maintain internal controls over cash activity.

Management Response:

This has been noted by administration and they will follow up on these bank reconciliations.

AIRPORT RECORDING OF CAPITAL ASSETS

Comment:

Currently the County Airport does not record their fixed assets on their books.

Recommendation:

For financial reporting purposes, the Airport is considered an enterprise fund and follows full accrual method of accounting. To fully report the activities of the Airport Fund, all capital assets should be recorded and depreciated on the books of the Airport.

Management Response:

Currently there is no historical information on the books regarding capital assets. We suspect some of this is because many of the assets were acquired using federal funding and state grants. Depreciation schedules were not generated. Airport management would be willing to assist accountants with listing the assets, depreciation schedules would be needed and the airport balance sheet could reflect the assets and depreciation based on the recommendations of the County's auditor.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Airport PFC Quarterly Reports

Comment:

Quarterly the FAA requires that airports that are collecting a passenger facilities charge to submit reports relating to this activity. We noted that there were no quarterly reports filed for 2004.

Recommendation:

All 2004 reports should be filed to ensure compliance with FAA requirements and all future reports be filed timely.

Management Response:

This has been noted by administration and they will follow up to ensure that all reports are timely filed.

Circuit Court Bond Listing

Comment:

The circuit court bond listing provided from the Clerk's office did not agree to the balance recorded in the general ledger.

Recommendation:

County personnel should reconcile the difference between the bond listing and the general ledger and continue to do this on a monthly basis. This will improve the internal controls over the collection and disbursement of bond monies.

Management Response:

The County Clerk's office is currently in the process of working with the software vendor to produce the required reports and is working on reconciling the balance to the County's general ledger.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Password Protection

Comment:

During inquiry of departmental personnel, it came to our attention that system passwords are not changed on a regular basis, and that passwords are known and may be used by other persons in that department.

Recommendation:

System passwords are used to limit access to certain authorized computer applications. Sharing of passwords can compromise the controls implemented to keep applications accessible to those with a logical need to the data or to the application. Passwords should be changed on a regular basis and should not be shared with other departmental employees. This will help to increase internal controls over access to computer applications, and to leave an adequate trail of which personnel introduced the activity into the computer system application.

Management Response:

Administration has sent out a memo to all departments to remind them to change their passwords periodically.

Outstanding Checks

Comment:

During our testing of cash, we noted several checks listed as reconciling items have been outstanding for over one year and some for several years.

Recommendation:

The County should consider escheating checks that have been outstanding for over a year to the State.

Management Response:

Administration will review this issue with the appropriate County personnel.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

Recording of Delinquent Personal Property Tax

Comment:

We noted that delinquent personal property taxes are not recorded in the general ledger for the funds applicable to the General Fund, the Road Patrol Fund, or for the Senior Citizens Fund.

Recommendation:

The value of the County's portion of delinquent personal property taxes should be recorded in the County's general ledger in effort to track the balance of the personal property tax funds due to the County from local taxing units.

Management Response:

Administration will discuss this issue with the County Treasurer.

Credit Card Use

Comment:

We noted the use of credit cards by the Probate Court in the absence of a County credit card policy, and for the purchase of personal items by employees.

Recommendation:

Even though the credit cards are in the name of individual employees, the County is issuing a check to the credit card company for the County's share of the bill and the individual will include a personal check for their portion of the bill. Because the County has not established or approved a credit card policy, we recommend that the County reimburse the individual for the County related charges and make it the responsibility of the individual credit card holder to pay the bill. The County Board could also consider issuing County credit cards and developing a credit card policy in accordance with MCL 129.243.

Management Response:

Administration will review the activity relating to credit card use and make a determination as to the current credit card payments.

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2004

AIRPORT PFC COLLECTIONS

Comment:

During our testing of the Airport passenger facility charge collections, we noted that the accumulation of PFC funds could not be reconciled to prior or current approved projects.

Recommendation:

The accumulation of the PFC funds should be reconciled to ensure that the County is not collecting PFC funds in excess of approved projects. Because these PFC projects are typically paid for prior to the collection to the PFC's, the accumulation of these funds could relate to projects completed in prior years, which were originally paid for from another County fund.

Management Response:

The airport and the FAA, Jason Watt – charged with revamping the PFC program and tracking and matching the program funding, have been working closely to reconcile this account. Even though projects were closed in the past the FAA did not have a standardized acceptable system in place. The program was started in 1992 and after exchanging information and figures starting with from the origination, Jason Watt is now satisfied that we have closed out projects and matched funds collected with those applied for. The airport management received his call on March 28th, 2005 confirming the closeouts.

We are currently collecting \$40,000 of PFC money for the entrance road and parking lot project, which we are approved to collect through December 2005. As of January 1st, 2005 there was a balance of \$2,750 collected toward the \$40,000. Last year collections were \$35,362 and judging from current enplanements we would expect a slight increase this year. We are right on target with application and collections.

We are currently in the process of applying for PFC collections of \$322,158 through the year 2013 starting January 1st, 2006. This will be our share of the expenses on the terminal building, snow removal equipment and taxiway and apron rehabilitation. Since expenses on most of these projects have already been paid, PFC collections can be used as reimbursement as they are collected. We suggest reimbursement to the County be paid quarterly. Quarterly reports will be completed and forwarded to the FAA as required with tracking and accounting methods built into the spreadsheet used for reporting.